
Private Club Advisor™

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

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Dear Club Executive,

FITNESS FOULS... Could your fitness center actually be doing more harm than good? According to Scott Poston, president of 1000 Hills Fitness, a club fitness consulting firm, many clubs are providing outdated fitness experiences that disengage today's fitness savvy members. As a result, some club fitness centers are actually damaging their club brand and their members' experiences.

"Fitness is seen as an amenity and many clubs are too eager to say they offer fitness. They purchase a bit of equipment, shove it in a small room, find a couple of local trainers and check the box. When members don't utilize the space, these clubs believe it's because their members aren't interested in fitness," Poston said. "This unmanaged hotel-like fitness area does not meet the modern day fitness expectations of members and potential members. They don't use it because it is not meeting their needs and wants."

A club is made up of people and the community feeling is important. Fitness centers should engage members, have a personality, and be commensurate with the rest of the club's offerings. Poston sees many clubs that do not employ any fitness staff. "Why is the fitness center a black hole for upholding hiring and member service standards?" Poston asks clubs he consults.

The fitness industry evolves rapidly and necessarily must employ highly educated professionals to personally train members, teach group exercise, educate members on equipment use and manage the entire fitness experience. "Members are paying for better experiences; they expect it and deserve it," he said.

Even great staff and facilities will deteriorate without proper processes in place to grow a program, engage members and continue to upgrade the fitness experience regularly. Clubs need to understand their fitness brand and the importance that programming has on that brand. These components ensure that members have positive fitness experiences that match the expectations of the club.

"The archaic practice of members bringing in their own trainers, the lack of leadership and community, and the absence of established processes result in high liability exposure, no program consistency, zero quality control, a negative member experience and an overall decreased club value," Poston concluded.

TABOO TATTOOS... As tattoos become more socially acceptable and increasingly more common among all ages and demographics, are clubs becoming more accepting of these changes? It is ever more challenging to find high-quality employees without visible tattoos. Rare are the occasions when at least a few members at the pool don't display their body art for all to see. Tattoos were forbidden at most private clubs in the not so distant past, yet in society today body art is seen as a display of creativity and beauty.

How is your club handling this evolution? Do you have a more lenient policy for employees? Do you have a written policy for members detailing what is acceptable and what is not? Please share your insight by emailing PCA@privateclubadvisor.com. We will include our findings in an upcoming issue!

CADDIE CONCERNS... The Department of Labor (DOL) continues to keep club executives on their toes. At the recent National Club Association conference in New York City, Jeffrey Ruzal, an attorney with a national workforce management law firm, provided insight and advice for clubs as it pertains to classifying caddies as employees or independent contractors.

“The DOL takes the position that caddies are generally not club employees because they are working for the members,” Ruzal explained. “However that presumption can be challenged, which has resulted in lawsuits throughout the country.”

The lines of employment status are blurred when clubs control the caddies’ working conditions, such as setting the rate at which caddies must be paid by members, or dictating to the caddies when they must work or the members with whom they must work. It is also potentially problematic when clubs require caddies to wear shirts or hats with the club logo. “Control over these conditions will support employment status,” he warned.

In order to avoid the appearance of an employment relationship with caddies, clubs should not prevent caddies from working at other courses or direct caddies to perform work for the direct benefit of the clubs, such as cleaning, moving equipment, etc. “Exerting less control over the caddies, although that is a potentially daunting thought, is probably the best practice for clubs to avoid an employment relationship or a potential wage and hour violation,” he said.

If caddies are employed by your club, you must treat them like all non-exempt employees—meaning you must keep track of their time, pay them an hourly wage and premium when they work overtime. Things can get complicated when clubs dictate the pay rate or when the caddie must work, Ruzal added.

FOOD AND BEVERAGE OPERATIONS... A recent survey of approximately 800 clubs indicated that while food and beverage operations for private clubs continue to be a major revenue generator, seldom does the department generate a profit. According to PB Mares who conducted the survey, the most successful clubs view the food and beverage department as an amenity rather than a profit center.

Here are other interesting findings from the survey:

- In the past year clubs surveyed raised menu prices an average of five percent.
- Fifty-six percent of the clubs surveyed have food and beverage minimums.
- Eighty-seven percent of clubs surveyed apply service charges (at least to banquets). Service charge percentages range from 15 percent to 25 percent with the most common being 20 percent and the second most common 18 percent.

MEMBER CAPITAL ASSESSMENTS... Many clubs struggle to balance costly facility updates to attract new members and spending a lot of money that will lead to assessing members. A capital assessment is typically commenced to fund an improvement project that the club has prioritized as a necessity. Eric Gregory, president of Blueprint Club Consulting, believes most assessments are a result of a club’s failure to adopt a long-range capital planning strategy.

“Successful clubs have independent capital reserves for both repair and replacement of current capital assets and future improvements. They have identified specific funds to be dedicated to the capital account which can then be used for particular capital needs,” Gregory explained. Successful clubs identify future improvement projects and associated costs of these projects and develop a plan to fund those improvements over time through transfer fees, operating surpluses, capital dues and membership growth strategies.

If your club is considering an assessment, Gregory encourages you to be aware of the following:

- Most member assessments have an option for installment payments which means all the funds will not be collected up front. This usually means debt is a part of the funding package.
- Assessments cause each member to reevaluate the club's value. Members who are not frequent users consider resigning as a result of a member assessment. "It is not uncommon for clubs to lose up to 15 percent of their membership with a sizeable assessment," he said. "These resignations should be factored into the financial strategy."
- Private club bylaws tend to require that assessments be approved by a vote of the membership. In addition to the time and energy required to get the necessary vote, the process can cause a strong division in the membership and disrupt the harmonious community environment private clubs strive to create.
- Prospective members often ask about assessment history and future assessments. This could impact potential members' decisions to join the club.

While assessments do generate funds for capital improvements or necessary maintenance projects, the ramifications may not prove beneficial to the club. "Clubs should have long-range capital plans with developed strategies for membership growth, dues and fee structures to fund long-term capital needs," Gregory said. "Clubs would better serve their members by figuring out how to fund the club's long-range capital plan rather than just the next big project."

CONVENIENCE IS KEY... If you are striving to raise your club's value to members, the first question you may want to ask is whether the club is still relevant to members' lives. Is the club giving members what they want, or as Kurt Kuebler of the consulting firm Kopplin, Kuebler and Wallace put it, is the club convenient?

Convenience in this context means making the club easy for members to use in their day to day routines. This means offering a casual club atmosphere if members want a casual atmosphere, keeping the club open even in the off-season to accommodate member families, focusing on offering wellness opportunities, evolving the swimming pool atmosphere to be more engaging for families, providing more social golf activities (nine-and-wine events for women, couples lessons for beginners, etc.) and organizing affinity groups for members with special interests (hiking, jogging, networking, etc.).

If the club is not convenient, Kuebler warns, it runs the risk of losing members, especially those who are already disengaged. Convenience is also a significant factor in attracting new members. Without this critical selling point, potential members may not be inclined to join.

CLUBS AND SECURITY... The McMahon Group, a club research and facilities planning firm, recently asked club executives about security on their premises—both physical and cyber. The findings:

- Sixty percent of the responding clubs have had an "incident" in the past five years. The most common incidents were trespassing, car break-ins and vandalism. Seventy percent have a camera system monitoring club grounds.
- Forty-one percent have conducted an assessment of cyber security over the past year. Sixty-three percent feel they are vulnerable to a cyber security breach.
- Despite any security problems and concerns, 99 percent of the clubs told McMahon they believe they offer members a safe and secure environment.

GET THE FACTS... “Everything is moving toward fact based data not just in the club industry, but in the whole world,” Ray Cronin, CEO of Club Benchmarking told the audience of club executives at the recent National Club Association conference.

“Showing facts leads to transparency,” he said. With all the data clubs have access to, that data should be used to educate the board and members which can push a club from short-term thinking to long-term thinking.

According to Cronin, the result of transitioning to a fact based environment is:

- Decision makers must agree on what is important. “Pet projects and personal vendettas disappear,” he said.
- Everyone is looking at the same information.
- There is more transparency so all parties are on the same page.
- Information is less subjective and more objective which proves beneficial in decision making.

FULLY CASUAL... While casual dining may have become more prevalent in your club, has the tableware you use kept pace? Clubs that still use linen tablecloths, sterling silver, logo china, saucers under cups and similar tableware may want to evaluate the necessity of the formality.

Advocates for less expensive settings told attendees at a seminar on food and beverage trends that with less formal dining, club members are more interested in the quality of food and service than the eating utensils.

Happy 4th of July!



Jackie Carpenter, CCM
Editor



Eldon Miller
Editor-at-Large

RESOURCES

Scott Poston, President, 1000 Hills Fitness, Denver, CO - 303-875-7224 - scott@1000hillsfitness.com

National Club Association, Washington, DC – 800-625-6221 – www.nationalclub.org

Jeffrey Ruzal, Attorney, Epstein Becker Green, New York, NY - 212-351-3762 - JRuzal@ebglaw.com

Kevin F. Reilly, PBMares, Fairfax, VA – 703-537-7605 – kreilly@pbmares.com

Eric Gregory, CCM, President, Blueprint Club Consulting, Sierra Madre, CA - 626-325-3486 - eric@blueprintclubs.com

Kurt Kuebler, CCM, Kopplin, Kuebler & Wallace, Jupiter, FL - 561-747-5213 – kurt@kkandw.com

The McMahon Group, St. Louis, MO – 314-744-5040 – www.mcmahongroup.com

Ray Cronin, CEO, Club Benchmarking, New Castle, NH - 617-803-0676 – rcronin@clubbenchmarking.com

Private Club Advisor – P. O. Box 610845 – Dallas, TX 75261
Phone: 800-800-5508 - Fax: 972-756-9010 – Email: pca@privateclubadvisor.com

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