



White Paper 2013

**Professional Management:
Because What Got Your Private Club Where You Are...Won't Get You Where You Want To Go**

An alternative approach to club management that reignites private club communities to be relevant, healthy, and sustainable, by delivering strong, cohesive leadership and a distinct competitive advantage in the market.



Introduction: A Broken Model in a Struggling Industry.

The private golf club industry is changing at a rapid pace. Trends are spiraling downward, with a decline in both the number of golfers and rounds played: Indeed, there are about five million fewer participants today than there were 10 years ago. The adverse effect on private clubs in the U.S. has been particularly notable, with an average 13% decrease in memberships and a 17% decrease in rounds played in recent years¹. The reasons for golf's decline and the challenges that private clubs face today have been well documented. Aging Baby Boomers, changing lifestyles, a more diverse society, declines in corporate support, increased competition, and a general lack of a marketing mindset among most operators all contribute to this negative trend².

To make matters worse, the answers to “fixing” the golf business are found among demographics that private clubs typically do not reach. Research shows the low-hanging fruit most likely to create growth is found within demographics that skew toward lower-income homes, females, younger players and minorities, for which many traditional private clubs offer little appeal³. In fact, among current members of private clubs, the lowest satisfaction rate exists among those under the age of 46 — a vital demographic that clubs are depending on to renew their memberships and carry the torch into the future.

While these outside influences are creating real problems, most private clubs will not see any substantial progress until they part ways with their traditional approach, which continues to deliver the same disappointing results.

Therefore, the greatest challenge for most private clubs is often found in the nearly impossible task of changing from within. The answer, not surprisingly, often lies in a fresh perspective and an outside set of eyes.

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A professional management company, operating as a third-party and aligned solely with the club's goals and the members' needs, can serve exactly that purpose. By investing in an objective, strategic approach, private clubs are able to identify, justify and execute the changes needed to survive. They can draw upon the perspective of the best and brightest industry experts, and implement proprietary processes that create proven results.

Many forward-thinking clubs have already recognized this opportunity, understanding that when not backed by a professional management company, a standalone general manager will never have enough resources to make substantial changes before the current board turns over and the club is steered in another direction. The evidence of a management company's effectiveness can be found in several key areas where many private clubs are struggling. Here's a look at a few of those where your club may be broken — and the ways in which a professional management company may offer a better solution.

Club Governance: Lost in the hazards of tradition.

Even with the best intentions, many owners and board members of private clubs continue to take the same traditional approach to managing their facilities. Unfortunately, this leads to frustration as they yield the same disappointing results that fail to solve the challenges of their complex operations. The letdown comes not because the leadership of these clubs are unable to handle their responsibilities, but simply because they are constrained from performing their real jobs.

Board members often find themselves caught in the snare of dysfunctional processes. They are all too likely to become wrapped up in the minutia of day-to-day operations, keeping them from making decisions that would improve the long-term health of their club. In these same cases, misguided committee members typically oversee separate disciplines of the club, creating departmental silos. The dysfunction then spirals down to the staff, creating an environment in which people are more concerned about protecting their own turf than executing what is best for the club.

An advantage to professional management is that the operational duties are relieved from the board. General managers are supported by professional teams yielding resources and experience that allows board members to focus their time on core issues that relate to strategy and policy. This means that neither the board nor the members lose any power over their club with a management company. A structured process is implemented, focused on optimizing accountability and governance to give key

decision makers the freedom to take action on what's most important. This process aligns everyone on the same objectives and creates a healthy rhythm involving committee members that gather feedback from members and staff that operate as a team, focused on the club's goals.

Replacing a club's self-management model better serves its long-term needs by allowing a management company to build leadership teams on site that can lead change from within. Its proprietary systems are delivered and internal best practices and processes are applied to support, reinforce and guide. Inviting a fresh perspective from the brightest industry experts brings in a new set of eyes on issues and challenges that can be met with solutions head-on.

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For many board members, hiring a management company presents a challenge — suggesting a failure on their part. The key then, is to look at it from the opposite perspective: Board members will never have the freedom to perform their true jobs effectively until the responsibility of day-to-day operations is delegated to a general manager backed by a professional team.

Member Retention: Your club has a waiting list...of people who want out.

Whether a member joins a club to meet new people, lower their handicap, improve their tennis game, or spend more time with family, an enriched lifestyle is always the core motivation.

Private clubs, therefore, have a unique opportunity to engage people in their personal quest for fulfillment and serve as a powerful agent for the lifestyle they seek. When a club fails in this role, it will inevitably struggle to retain members who become disenchanted from broken promises and unfulfilled expectations.

Professional management can far more easily foster two-way communication with members and gain insights on their motivations for joining a club. Understanding why someone has become disappointed in their experiences — and where they believe the club is falling short of their expectations — can make all the difference in winning back the loyalty of a disheartened member.

Effectively communicating the value proposition that a management company delivers enforces a club's ability to offer unique opportunities that keep members satisfied. National or international management companies also deliver exclusive benefits and privileges that members would never receive at self-managed clubs. Reciprocal programs allow a member to play renowned private clubs in the management company's portfolio, and receive special rates at affiliated daily-fee and resort courses. Those big-

picture opportunities can make the difference to a member who is looking for greater value from a membership.

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Monitoring whether or not each member is connecting with these benefits, and if they are pursuing their interests within the club, allows the management team to take action if someone's lifestyle aspirations are not being realized. Meeting with new members to establish their expectations, and implementing a plan that ensures each member is connected with smaller "tribes" that share the same interests, is essential to cultivating a healthy membership base.

Membership Growth: Who are we? And why?

While some private clubs have found success in changing their identity to appeal to current industry trends, the process for these kinds of shifts should be intentional and well calculated.

A common belief is that if a club doesn't make changes to become more family-oriented, it will not be positioned to attract new members or retain current ones. As a result, many clubs blindly begin the process of retrofitting their clubhouses with kids club facilities and revamping their programs with father/daughter chili cook-offs. The danger of following such trends lies in making decisions before any prudent research is done. Are those changes truly

necessary to make a club's culture more appealing to prospective members? Is there any empirical evidence that there will be an appropriate return on investment?

Professional management companies have in-the-field experience that protects clubs from making costly mistakes that can pull them in the wrong direction. There are a number of critical factors: identifying the club's current strengths; understanding what makes it unique; knowing what members already enjoy about the club's lifestyle; and most importantly, using market research. Wise decisions about attracting new members cannot be made without first evaluating what type of demand exists in the immediate market.

For example, research might show that "family friendly" isn't the best direction for a club surrounded by empty-nest households. Such clubs are generally better off investing in areas that meet other social needs, like dining and entertainment. Making drastic changes can also cause dissatisfaction among current members if there's an influx of people who are not likeminded.

Once the club's identity is understood and the right changes are implemented to complement its culture, a tailored marketing plan can be created. The key is to leverage the club's distinct competitive advantages, and reach qualified prospects looking exactly for what the club offers.

Marketing: You've got a brand...but do you know what it is?

Self-managed clubs often struggle to find direction in communicating their club's unique identity. Without any accountability, big-picture planning is often distracted by decisions that lead them away from their marketing goals. Without defining what makes them different in a competitive market, and what could entice prospective members to join, the club's sales efforts are wasted.

As such, one of the most integral actions taken by a management company is to evaluate a club's brand promise. Assessing what the experience is at the club, and evaluating how it is displayed throughout the property, provides clear direction on a club's marketing message. After defining what is truly unique and special about the lifestyle that a club offers, a message can be built, requiring defined tactics and an effective call to action. A

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management company has the experience to bring this all into a realistic plan that can be executed and, equally important, measured by the facility.

While the overall goal of a marketing plan is to drive sales, it's vital that it is incorporated with the sales efforts. In essence, marketing should play a part in both retaining and attracting members. Professional management has a unique perspective, acting in the club's best interest while

offering an unbiased assessment and a fresh look at how effectively this is being done.

Operating like an independent business with limited resources, self-managed clubs traditionally have had only three options when developing a marketing message, designing collateral, and creating advertisements. The first is to attempt to do everything in-house, which often takes longer to perform and results in mediocre quality. The second option to outsource these projects can lead to more professional results but gets costly when multiple agencies and experts are needed. Third, a club could hire a consultant who diagnoses what should be done, but doesn't have the tools to implement the project, which leads back to options 1 and 2.

Forward-thinking clubs are catching on to the fact that there's a fourth option: hire a management company that offers all their needed marketing resources under one roof, but in intimate alignment with the club's overall goals. Management companies have the experience and knowledge needed to create the framework and implement successful marketing plans.

Food & Beverage: Your golf course has been updated more times than your dining room menu.

It's no secret that self-managed private clubs often struggle to meet members' expectations in the dining room. Nothing worries an F&B manager more than the topic of menu frequency and deciding when to change the menu. Within that decision lies several uncertainties that an operator must consider: What will it cost to change? Which products are available? What type of healthy fare should be

considered? Which traditional items can be replaced without creating a mutiny with members?

From there, the club might source fine-quality items for their menu, but careful consideration must also be taken to ensure the ambiance, service, plate presentation and overall dining experience meet the same high standard. Add in other factors like managing expenses, buying at competitive prices and training staff, and it's clear why many operators settle for mediocrity in the kitchen at the expense of their members.

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Private clubs managed by a professional management company have the benefit of managers who make decisions based on processes that have been refined, perfected and proven to work at other facilities. Blending a club's unique character with experience and a culture of excellence undoubtedly elevates the product offered in the dining room.

Professional management offers a network of trained professionals deeply versed in the highest industry standards. They know exactly what it takes to quickly and effectively implement positive changes that allow the club's character to shine — because they've done it before. Costs are typically reduced by better managing expenses and leveraging buying power. Meanwhile, members see

significant improvements in the quality of menu items with greater access to vendors that offer better options.

Agronomy: The grass isn't always greener if you do it yourself.

There is no better example of where a self-managed private club is at its greatest disadvantage than the area of agronomy. Just like you can't judge a book by its cover, the same point is true for a club and the quality of its course conditions. A golf course might be in immaculate shape — but if the maintenance costs, agronomy programs and staffing levels are outrageous, the investment can be disastrous to the bottom line.

On their own, board members have a difficult time knowing what is reasonable. They simply can't compare their agronomy operations with a large sample size of other clubs. And they will likely have a difficult time evaluating what changes need to be made and at what cost.

Clubs try to make wise and prudent decisions based on what their staff believes is right — but it is difficult if not impossible to assess, for example, if a \$3 million irrigation system is truly needed or if it is being purchased at a competitive price. Even the most intelligent and talented employees can't compete with the knowledge and resources collected from an entire network of the industry's most qualified superintendents.

Private clubs managed by a professional management company also have the benefit of using heavily scrutinized benchmarks that allow board members to confidently make

educated decisions on their agronomy operations. There is no loss of control by the board or the members, the legwork and research is simply done for them, allowing members of the board more time to enjoy their club.

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It's not uncommon for a private club to immediately experience significant annual agronomy savings based on the resources that a management company can deliver to a golf facility. This means private clubs often receive better course conditions at better values — making it a less costly place to be a member as well as a more enjoyable one.

For more information on professional management, contact Troon at 888.807.0002 or visit www.TroonMGT.com

¹National Golf Foundation, *The Future of Private Clubs in America*, 2008

²McMahon Group, *New Trends Affecting Strategic Planning for Private Clubs*, 2012

³National Golf Foundation, *Member Resources*, 2012

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