



THE FUTURE OF **PRIVATE CLUBS**



Staying afloat

With nearly 15 percent of private clubs at risk, demographic and economic concerns challenge the segment to evolve or go under.

With the greater golf industry in a downturn, some private clubs have found themselves caught in the undertow of rough, uninviting economic waters. For them, it's time to either sink or swim.

There are tales of reverse waiting lists, clubs running out of cash and examples of storied private clubs – like Ravisloe Country Club in Homewood, Ill. – converting to semi-private or public facilities.

In addition to the anecdotes, several reports released over the last year point to serious challenges for the private club industry. Specifically, a National Golf Foundation report on “The Future of Private Golf Clubs in America” that states about 10 to 15 percent of private clubs identify themselves as at risk.

The same study indicates about 20 percent of members are “on the fence” about keeping their memberships and 10 to 15 percent are at risk of giving them up.

These statistics mean there are as many as 500 clubs nationwide who are just trying to

stay afloat and about a quarter of a million members who aren't sure about their club memberships.

Since the first private golf club in the United States was established in 1888, the segment has endured a number of hardships – including the Great Depression, several wars, the savings and loan crisis, the dot.com bust and 9/11. Those who operate in the space say it's not a matter of whether private clubs will survive – it's just a matter of which ones will survive and how much they'll need to change to do so.

A CHANGING NATION

Recognizing America's changing face is one of the biggest challenges for clubs. The country's population hit 300 million in late 2006, and may top 400 million by 2040, according to the U.S. Census Bureau. Consider the following:

- Minorities, now roughly one-third of the U.S. population, are expected to become the majority in 2042, with the nation projected

By Marisa Palmieri



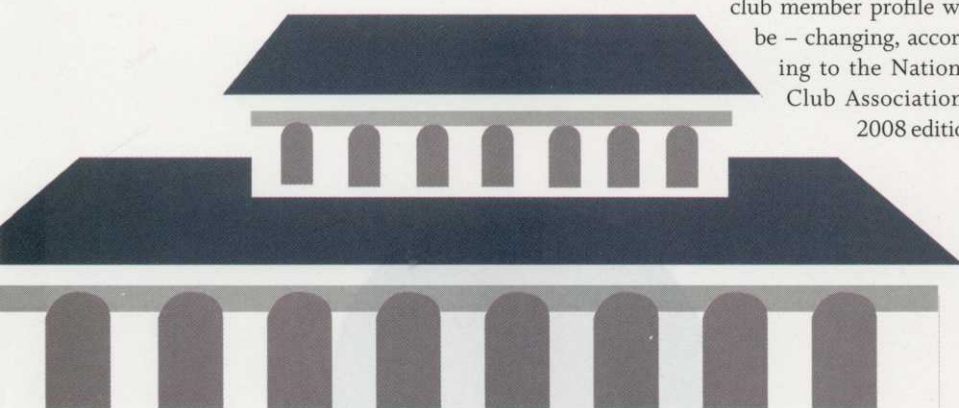
to be 54 percent minority in 2050.

- The non-Hispanic, single-race white population is projected to be only slightly larger in 2050 (203.3 million) than in 2008 (199.8 million). In fact, this group is projected to lose population in the 2030s and 2040s and comprise 46 percent of the total population in 2050, down from 66 percent in 2008. The Hispanic population's share of the nation's total population is projected to double – from 15 percent to 30 percent.

“The aura of exclusivity is going away.” – Jeff Rivard

- In 2030, when all baby boomers are age 65 and older, nearly 20 percent of U.S. residents are expected to be in that age group. The percentage of the population in the “working ages” of 18 to 64 is projected to decline from 63 percent in 2008 to 57 percent in 2050.

These figures are just a snapshot of how the American demographic is – and the American club member profile will be – changing, according to the National Club Association's 2008 edition



Converting rather than closing

Considering the less than ideal state of the private club industry, one would think many have closed their doors recently or will close soon. However, that hasn't been the case. Rather than closing, clubs commonly become public or semiprivate. Conversions outnumber closures 10 to 1, according to the National Golf Foundation report.

In most cases, clubs convert to public facilities after memberships and revenues drop and they can't meet operating costs or debt service. Aging memberships, underutilization, competition and/or poor local economies are other reasons clubs may convert. Some clubs become semiprivate, retaining members under alternate dues structures.

Conversely, public facilities sometimes go private. In most cases, it's when courses tied to real estate become private after the community reaches a membership or home-sale threshold, often between 300 and 700 members.

PRIVATE CLUB CONVERSION FLOW 1999-2008

1999	Courses added	Courses lost	2008
4,188 private golf clubs	343 openings	39 closings	4,393 private golf clubs
	288 public to private conversions	387 converted private to public	

Source: NGF's "The Future of Private Golf Clubs in America"

of "Future Trends & Issues: A Private Club Perspective."

The nuclear family is no longer the only family type. More than half of households are headed by a blend of single parents, gay couples and unmarried couples.

"Quite simply, it's no longer a 'Leave It to Beaver' nation," the report says.

Don't expect dad to golf five days a week and mom to come on the weekends with kids in tow. That's just not how families spend their time anymore, says Jeff Rivard, executive director of the Western Pennsylvania Golf Association. Commonly, both parents are expected to be at all of their children's events – and children today participate in more organized activities than ever. The percentage of children participating in lessons, such as music, dance, language, computers or religion, went up for 6- to 11-year olds, from 24 percent in 1994 to 33 percent in 2004, according to the Census Bureau.

"There's almost a parental peer pressure today that you have to be at every activity," Rivard says. That shift in parents' expectations affects how families spend time at clubs.

People's priorities are shifting, too, the NCA report says. "All groups are defined not just by their careers but by their pursuits, their love of family, their addiction to technology and their desire to have a new path."

The data and anecdotal evidence combine to suggest the reason people join private clubs is changing and will be different than it has been in the past.

Exclusivity, for example, used to be a No. 1 priority for club members.

"Club memberships used to be viewed as an indicator of social status and were often used as a business amenity," says Jim Singerling, CEO of the Club Managers Association of America. "There only used to be a few opportunities for a successful person to join."

That's changing, partly because many clubs are generating revenue by allowing outside rounds (see "Converting rather than closing," at left), but some say it's also because the culture has changed to make exclusivity less important.

"The aura of exclusivity is going away," Rivard says, adding that some club members don't want others to know they're members – and go as far as to request their names not be printed in the club directory.

"Depending on the business you're in, you might not want people to know you belong to a club," he says. "There's somewhat of a stigma."

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Since 9/11, Singerling says there's been an uptick in the number of people who join clubs primarily to have a safe place for their families to spend their time.

"All of the anxiety that's been added to the life of a successful individual allows the club to become a refuge," he says. "I see that becoming the single most important reason for people to not only retain their memberships, but as the reason to join in the first place."

Clubs will no longer be defined by the speed of greens or by any single amenity, but by their ability to satisfy a person's needs and wants during their five stages of membership. Singerling identifies these stages as:

- Young professional, either married or unmarried
- Young family
- Family with children who are involved in a variety of activities
- Empty-nest stage, pre-retirement
- Retirement

Additionally, just as Google, Yahoo and other tech firms have redefined what it means to be "corporate," some clubs are redefining the status quo when it comes to club culture and dress code.

Consider The Bridge in Southampton, N.Y., which The New York Times called "the untucked country club" in 2006. Despite its reported \$600,000 initiation fee, it's not uncommon to see members with backward baseball caps, jeans, tattoos and piercings. The club's owner, Robert Rubin, identifies the ideal member as an adventurous, young-at-heart, self-made man.

PRIVATE GOLF CLUB RISK PROFILE

Stated financial health	Clubs not at risk	Clubs at risk
Memberships		
Current golf memberships (average)	373	241
Current members as % of peak	91%	71%
Rounds		
Current rounds (average)	21,289	19,760
Current rounds as % of peak	84%	78%
Financial		
% with operating loss	24%	57%
% with debt	68%	92%

Source: NGF's "The Future of Private Golf Clubs in America"

Private club industry members and research reports say the answer is to research members and prospects, and give them the individualized experiences they're looking for.

"There's an overused phrase – 'You need to have your finger on the pulse of your membership,'" Singerling says. "Just like doctors taking a patient's pulse, you can't take it once and figure you have it nailed."

Rivard agrees. "Clubs have an indifferent history of sending out bills and collecting money," he says. "I think the most important thing for a private club is to know its members. They have to get the solid research on the demographics of their own members and then they can figure out the people they can recruit. A lot of clubs don't know where they are."

The NGF report's recommendations take



"People want more from leisure time than a chilled martini and a round of golf." – NCA report

HOW SHOULD CLUBS RESPOND?

The NCA report says clubs need to reassess their policies and programs to meet members' needs.

"A younger, more tech-savvy demographic, coupled with trendy baby boomer needs, means in the coming year clubs will be forced to reevaluate dress codes, offer new technology service and appeal to younger families – and single-parented families at that," the NCA report says.

"Nowadays, people want more from leisure time than a chilled martini and a round of golf. America's ever-changing population is looking for family-centered activities, opportunities to learn, virtual connectivity, outdoor adventures, organic and sustainable foods and interaction with diverse groups."

Singerling's and Rivard's comments a step further, encouraging clubs to honestly assess their business situation with competitive analyses, demand analyses and financial forecasts.

It also points out that too many clubs operate without a strategic plan – which should be an imperative – including a forecast that accounts for member attraction/retention goals, capital improvements, projected initiation and dues levels and beyond.

Ultimately, the report says, clubs should leave all options on the table, including raising membership caps, converting to semi-private status, introducing new membership categories and even bringing in third-party management.



CLUBS RESPOND

While some clubs are suffering, many are adapting by tending to their members' needs with creative programming and recruiting prospects with marketing. Some are changing membership and fee structures (see "Membership math," page 38).

Becoming more family friendly is a drum-beat many industry members have been pushing for some time.

"The shift is totally family-oriented," says David Gourlay, CGCS, CCM, chief operating officer for Colbert Hills Country Club, a semi-private facility in Manhattan, Kan. "Clubs are evolving and they have to be an extension of the home."

The Territory, a 4-year-old private club in Duncan, Okla., has taken note.

"On their time off, mom and dad are spending time at their kids' games, tournaments and

people still look to private clubs for their social activities, but because competition is tough, they need to be as creative as ever.

"The people we sell to still want a place to congregate where there's something to do and people to enjoy it with," says Greg Wetzel, general manager of Gateway Golf & Country Club in Fort Myers, Fla. About 75 percent of Gateway's members are retirees. "But they want some diversity – it's not just golf and a cocktail anymore."

To meet their members' changing needs, Gateway officials have instituted new programs, like yoga, watercolor painting and computer classes.

Other favorites include table games like organized gin rummy, dominoes and bridge. CPR training sessions also sell out and ballroom dancing is becoming popular.

"Specifically, we're targeting programs that aren't cost prohibitive and promote a diversity

Indiana-based instructor Bob Prange, PGA.

"It's gotten a lot of play among our membership and has really helped our golf professional staff," Schoellner says. "They're doing more lessons and seeing more activity."

Gourlay points out that one of the biggest changes that's taken place in the private club industry over the last decade is the advent of a full-time membership recruiter, typically called a membership director.

"The courses that struggle don't have a dedicated person to do this all-important function," he says.

WHAT THE FUTURE HOLDS

Considering there are as many private golf clubs today as there were just before the Depression – about 4,400 – despite a more than 150-percent jump in U.S. population over those 80 years, it's not off base to question what the future holds. Many in the

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activities, where they used to just recreate," says Tim Johnson, director of golf/director of operations for The Territory. "It has a lot to do with many families having two working parents and the time consumption of their kids. It's very infrequent I see an entire family all together anymore just playing golf."

To address that issue, The Territory is hosting events that promote family togetherness. The idea is to get them to use their club memberships and place a higher value on those memberships because they see the club as a family place.

Some of the events The Territory, which still allows outside play because it hasn't yet reached its membership threshold, has introduced include Wii bowling tournaments, fishing trips and family golf events.

"We're working at it," Johnson says. "We're trying to get families used to recreating together again."

The Territory also is considering other ideas to further expand its offerings. The club, which is located on 640 acres in Southwest Oklahoma, is toying with the idea of adding a paintball gun area.

"It's another way to get kids to participate," Johnson says. "We're just trying to think outside the box and not limit ourselves. We're trying to make our members focus on getting out there."

In retiree markets, operators know many

of offerings," he says. "Programs like that don't take a lot of time or money."

John Schoellner, CGCS, CCE, general manager and chief operating officer of Estero Country Club in Fort Myers, Fla., says it's all about creativity and good management.

"The clubs I see that are having problems are the ones that are micromanaged by boards and don't have a good governance in place," he says.

Part of being creative and well managed includes marketing, and Estero tries to fill its roster a number of ways. One is through "The Estero Experience," which starts with members identifying candidates at their home clubs who may be interested in buying retirement homes in Florida. After qualifying prospects, the club invites them to a November golf tournament where it entertains them and introduces them to the community. Estero also takes advantage of being near the Minnesota Twins and Boston Red Sox spring training facilities. In addition to marketing in Boston and Minneapolis, it advertises in the Twins spring training program and distributes a flier at the Red Sox spring training gift shop.

Finally, Estero recognized that many of its members and prospects have never played golf until they retired, so this winter it started a golf academy for members and guests with

private club industry, though acknowledging some clubs will probably close and some will continue to struggle, agree that the market's foundation is strong.

"Looking at the long, hard road, I think you'll always have your upper-echelon private clubs – the Congressionals, Southern Hills and Oklahoma City Golf & Country Clubs," Johnson says. "Those clubs will thrive because there will always be high wage earners in those markets and there's a prestige associated with belonging. The clubs that will struggle are the mid-levels – people will continue to be transient within that spectrum and they'll battle with the high-end daily fees."

Wetzel says the country's model for urban development creates a need for what private clubs offer.

"Whether or not people are playing golf, with urban sprawl and community planning, there's no hub for your recreational outlets compared to European cities where there are places you can go, run into people, say hi, be recognized and maybe have dinner," he says. "Unless our urban planning changes where we have locations for engagement with social and recreational opportunities, there will always be a need for a place like the club to see and be seen by others."

As Gourlay says, "There's a great opportunity for those who are very creative." **GC**