



Membership

MATH

People are doing the math, and it's a big problem for private clubs struggling to attract and retain members.

Jeff Rivard, the executive director of the Western Pennsylvania Golf Association, offers himself up as an example. "I just did the math. I went from a membership at a private club to a season pass at an upscale public course – and I was at an affordable private club. If people are playing 20 to 30 rounds a year at the club and eating a few meals, that's more than \$200 a round."

With the evolving needs of members and prospects and the current economic squeeze, many private clubs' membership rosters are feeling a lot of pressure.

Private golf clubs work to attract and retain members while balancing market forces.

By Marisa Palmieri

Only 34 percent of golf clubs who are members of the Club Managers Association of America are at full membership capacity, according to the CMAA's 2008 Club Operations and Financial Data Survey.

In addition, a 2008 National Golf Foundation study shows that 66 percent of club members are highly likely to still be members of a private club in five years, but that leaves 20 percent who are "on the fence" and 14 percent who are at risk of giving up their memberships. Why? The top reasons are financial. Members who are likely to leave cite pricey dues, personal income, interest in playing high-end public courses or difficulty justifying the cost per round (see Table 3 on page 40). Of former members surveyed, the top reason for leaving was relocation (which is considered to be an involuntary reason), but half cited financial reasons as a factor for leaving.

On the plus side, the same study shows there are 2 million qualified candidates for golf club memberships nationwide – that's about one for every existing private club member today. These prospects are golfers who are "highly attracted" to membership, are age 30 to 60 and have incomes of \$100,000 or more.

Even so, the market for club members is tight, considering the demands on people's time, the competition for their discretionary



Wetzel

dollars and the number of high-end daily-fee facilities that can fulfill their golf needs.

So how are clubs responding to these pressures? Creative programming, attempting to increase value and better marketing are a few solutions. Others include decreasing prices, offering numerous membership options and allowing members to pay initiation fees over a longer period of time or with no interest.

Though many club officials say reducing fees isn't ideal – and club industry associations don't advocate the practice – it's happening at many facilities.

"Dropping initiation fees is something we're seeing, but not endorsing," says Cindy Vizza, director of communications and knowledge management at the National

Club Association. "That's really not sustainable. You can't do it forever. Clubs are dependent on initiation fees – they're a real commitment to the community and lifestyle. If you're doing away with those, you're going to have more transient members."

MARKET FORCES

When push comes to shove, how a club handles membership options depends on its local market, Vizza says. The age-old arguments against lowering fees – devaluing the membership, upsetting the existing members who paid full price and attracting folks with less of a commitment to the club – are still concerns, but some clubs believe they have no choice.

"A lot of clubs in our area have dropped their initiation fees," says Greg Wetzel, general manager of Gateway Golf & Country Club in Fort Myers, Fla. "We haven't yet, but we might. There's a pressure to mirror the market."

In Florida, many private clubs are tied to master-planned communities, many of which have a glut of for-sale houses. "If there are too few people living in the community, the club has to compete for members in the general marketplace, and that can be difficult because there are so many options," Wetzel says.

Gateway is a 3,000-acre master-planned community, including a clubhouse, a members-only 18-hole golf course, fitness center, tennis facility, park, bike and fitness trails and swimming pools. It has seen about 3 percent attrition over the last year, but Wetzel says the club benefits from competing in the retiree market. About 75 percent of the club's full members are retirees.

"We've been anticipatory; we're trying to keep operating dues flat and not increase our usage fees," he says. "Nobody's ignoring the fact that the market is different."

If it comes down to reducing initiation fees, Wetzel isn't worried about backlash from existing members.

"They can comprehend the ebbs and flows of the market," he says. "It's a lot like real estate. It's not unreasonable to think the value of a club membership could go down."

David Gourlay, CGCS, CCM, agrees that members understand the market forces that make fees fluctuate. His facility, the semiprivate Colbert Hills Country Club in

TABLE 1.
MEMBERS' REASONS FOR JOINING

	Full-service country club	Golf & clubhouse only
For the high-quality golf course	70%	53%
Less crowded	67%	60%
Convenience/proximity to home	60%	69%
For the social aspects	51%	29%
To stay physically active	42%	39%
For the other amenities	40%	5%
To provide family with amenities	39%	16%
For business/networking	22%	9%
Corporate membership	8%	8%

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

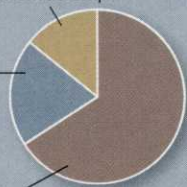
EXISTING MEMBERS SAY...

TABLE 2. Membership stability

14% are at risk of giving up their club membership

20% are "on the fence"

66% are highly likely to be members of a private golf club in five years



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

TABLE 3. Reasons at-risk members may give up membership (not counting relocation)

2/3 cite at least one financial reason, including:

- 46% Club's annual dues are getting too expensive
- 38% I might not be able to afford it
- 36% I may choose to play high-quality public courses
- 33% My cost per round is hard to justify
- 65% Any of the above

1/3 cite health reasons; 42% of at-risk members are age 65 or older

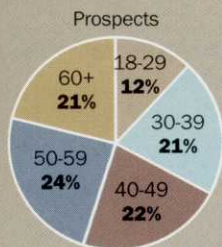
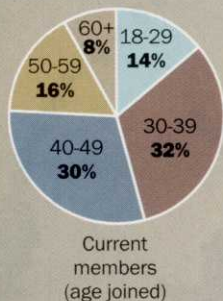


TABLE 4.
Ages of qualified prospects vs. current members (age joined)

Source: NGF's "The Future of Private Golf Clubs in America." Figures were rounded.



Gourlay

Manhattan, Kan., is offering new terms for "junior executives;" younger people can join at a reduced rate until age 50. Does that bother existing members? Not really, he says.

"We have an astute group of members who recognize times are changing," Gourlay says. "You can get 0 percent financing on some automobiles for up to 10 years right now. If you bought your car three years ago, you couldn't have done that. We have to adapt to the market."

Market conditions affect how The Territory in Duncan, Okla., operates, too. The Territory's located in the Southwest part of the state – 80 miles from Oklahoma City and 160 miles from Dallas. It's a 4-year-old private club that plans to allow outside play until it reaches 450 members. Its biggest challenge in attracting members is price.

"The facilities in this area have never been successful with initiation fees or dues structures," says Tim Johnson, director of operations, who points to the area's blue-collar-dominated job market as one reason. "Ours is one of the nicest facilities within 100 miles. Where we don't compete with other clubs on price, we compete with perception. Everything around here is undervalued or underpriced. You can get into a lot of clubs for a \$100 administration fee."

Instead of lowering its \$8,000 initiation fee, The Territory is offering interest-free financing. Until January, the club required \$4,000 down and allowed financing at 1 percent above prime. Now the club's offering a flexible payment plan. Members can take up to eight years to pay their initiation fees

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TABLE 5.
Demographics of members vs. qualified prospects

	Existing members	Qualified prospects*
Average age	55	45
Average household income	\$124,000	\$142,000
Average rounds	53	27
% with children who play golf	14%	19%
% with spouse/partner who plays golf	53%	46%
% who spouse whose very interested in golf	37%	26%

*Those who express a high interest in joining, have incomes greater than \$100,000 and are between ages 30 and 60.
Source: NGF's "The Future of Private Golf Clubs in America"

– the only requirement is they pay \$1,000 per year.

"It hasn't been a problem with the existing members, which is surprising," says Johnson who understands some members' concerns about new initiation fee structures because he's been a member at an equity-owned club. "But we haven't had one issue or complaint. Because we're in a rural area and we don't have the luxury of having a half-million people to draw from, members understand."

OTHER MEMBERSHIP OPTIONS

When markets get competitive, it's common for a variety of membership categories to sprout up – junior, senior, social and/or dining memberships are common options.

Short-term trial memberships, sometimes billed as "summer memberships," allow prospects to use the facilities and interact with fellow members before making a full commitment, according to the NCA's new book, "Membership Marketing: Best Practices for Private Clubs."

Trial memberships are a way to get prospects in the door, Vizza says. Typically, trial members pay only monthly dues until their terms are up, at which time they're responsible for the initiation fees.

"NCA recommends that trial members should still be vetted as would regular members to ensure that they are compatible with the club's existing membership," the book says.

Junior memberships – discounts or special offers for those in their 20s, 30s and sometimes 40s – aren't new, but some facilities are reviving or retooling them, as clubs try to focus on the future. Seeing young professionals and families as the future of a club is a natural instinct; however, the NGF research shows that today's qualified prospects are more spread out among age groups than current members were when they joined clubs (see Table 4 on page 42). Sixty-four percent of current members joined in their 30s or 40s, while prospects are well divided between the 30s, 40s, 50s and 60-plus age group.

At some clubs, new discounts, membership options and financing offers make junior memberships a moot point. For example, The Territory has an option for twentysomethings to put half of the initiation fee down and pay off the rest by age 30. It's still available, but the eight-year, interest-free financing option for full membership is just as attractive – if not more so – so not many people are opting for junior memberships.

One reason some clubs hesitate to offer too good of a deal to younger members is the fear they'll create a class of members with little commitment to the club.

John Schoellner, CGCS, CCM, is one of them. The general manager for Estero Country Club in Fort Myers, Fla., doesn't advocate junior memberships – especially for facilities with steady rounds.

"Why should somebody come in, pay less money and take a tee time?" he says. "I've always been amazed at clubs that give a senior discount without having the senior give up any benefits. They play more golf than anyone."



Schoellner

Schoellner recalls the experience of another club in his area that attracted a number of members through a junior campaign.

"The first time they had to dip into their pockets and come up with some money for repairs, they left," says Schoellner, adding that about 85 percent of Estero Country Club's 325 golf members are retired. "There's no commitment. There's a better deal down the street, so off they go."

Rather than simply lowering fees, Schoellner prefers to have members who enter under different terms give up a benefit. For example, the club's initiation fee is \$47,000, and typically members get back 20 percent when they leave. He's experimenting with an option of a \$25,000 initiation fee – all of which is nonrefundable.

"That way the club doesn't have that debt to pay members," Schoellner says, noting some clubs have run out of cash and have had to suspend their refunds anyway. "If that happens, you end up with unhappy people. It's better to tell them up front." **GCI**