Dues Income's Relation to Today's Club Operations

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The day is present when the members will be even more demanding than they have been in the past few years. The belt may well be tightening around their own business and their personal difficulties are usually reflected in a different attitude toward the club and the costs entailed in membership. They will, like the general public, want more for their money.

This attitude is a natural one, and is not in any way to be frowned upon, either by management or an executive committee.

There is, however, one factor which must be kept in mind if any criticism of the individual club operation is to be fair and constructive; that is — the sufficiency of dues income to meet the requirements imposed by the operating costs in the individual club.

Some two years ago I spoke in New Haven at the Quinnipiack Club urging managers and committee men to call the attention of their officials and associates to the need for thorough study of the dues structure in their respective clubs. The costs of doing business in any club has risen in the same manner as the expenses of other business operations and it was high time to make sure they had a sane and sensible dues program — one certain to meet these increased costs.

While many people do not consider a club as a business, it assuredly becomes one when the manager and treasurer report the results of operations to the Board of Governors, and the membership. Clubs, while they be the "other home," have, at the same time, the business aspect. They are not free from any of the economic laws, or economic or social changes.

The thoughts I expressed at the seminar conducted at the Quinnipiack Club were put into an article which appeared in many of the trade papers. I mention this because it was a great source of gratification to subsequently receive scores of letters of thanks from managers, club committee men and others who have to cope with the problem. The general reaction to the article can be brought home to you quickly by reading to you a letter received from the manager of one of the most respected firms of certified public accountants in the country:

"Your summary of the problem, and the way in which it should be met strikes me as an excellent job. I am in complete agreement with your point of view and I wish all of the directors and officers of clubs among our clients could read your article. In fact, I mean to see that a good many of them do read it. It seems to be the most difficult job in the world to get the Board of Directors of the average club to face the financial affairs of the club in a businesslike manner. However, I have noted a considerable amount of progress in this direction in the last six to eight years. Several of my club clients are in excellent financial condition today because of the adoption of a realistic financial program such as you suggest.

"In contrast right now, I am assisting a club finance committee to work out of a distressed financial condition which is now critical. There was no need for this condition to arise. For three years I have been urging an increase in dues without success. Had the dues been moderately increased two or three years ago there would be no financial crisis now."

But, just as it is true, as Kipling says, "Prophets have honor all over the earth except in the village where they were born"—so it seems that in many an instance, the club manager is not the real captain of his own ship, and, as we all know, many a boat has been wrecked by several captains at the wheel. In all too many cases, the club manager is told how he must steer the course by a navigator, or, what is worse, by a group of navigators who very often are not familiar with the day-to-day problems and even the hour-to-hour difficulties that have arisen within the club.

Determining Control Factors

The characteristics of the individual club must be determined before good control can be exercised. Now, who best can do this but the manager and his committee, and I mention committee in the same breath as the manager because very often they are belabored and annoyed by those

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HOST TO USGA AMATEUR CHAMPIONSHIP

Aerial view of Oak Hill CC, Pittsford, N.Y., (near Rochester) where the rugged East Course is being toughened up for the Amateur field which tees off August 29 for the 49th USGA Amateur Championship. Generally higher rough, narrower fairways and new trapping is in store for the simon pures who'll be after the crown now worn by Willie Turnesa.

cliques and groups in a club whose comprehension and knowledge always surpasses those who really should know. They usually have all the panaceas.

Now the gravy train appears to have been derailed and the hue and cry from members in general will be for a reduction in the pricing policies of the club in charges for food, beverages and other services.

This is in accord with the times and it is fair provided the management has been supplied with adequate dues income to cover the fixed expenses such as rent or other real estate costs; light, heat and power, house and administrative salaries, repairs and renewals, legal and accounting fees, and an appropriate standby allowance for operating departments. As I have pointed out, a club must adhere to good business policy. If the only sound policy of any business is based on the determination of a proper balance of all the factors which enter into the cost of conducting the business and the adjustment of these factors to the varying conditions which may arise from time to time, so too is this policy applicable to a club.

Now, if the dues income factor has been adequately taken care of, we are in a position to approach scientifically any reduction in product and service charges which the times seem to require. Mind you, I say "seem" because in reality, the reduction in the variable of production cost has not been as large to date as is publicized. When a public official, newspaper or other source of information states that the cost of living is down ten or 15 per cent, the impact on the public mind usually leads to the conclusion that it is mostly in food.

Let us examine some of the food price reductions, and strange to say, the increases in the last three months.

Take the popular items in beef, veal, lamb, pork and poultry on the average club menu and you will find these categories, taken in toto, have not been reduced to any large extent.

Beef, in accordance with New York wholesale quotations, shows an average decline from roughly 10 to 25% in the last three months. Lamb has increased up to about 16% and choice chops are at an all-time high. The variation in choice veal is negligible, and as you know, few veal cuts are popular in clubs. Pork is up 26% — that is, on the preferred cuts — and on hams and bacon, the change is not in any sense noteworthy, one way or another. Poultry, in the category of chickens and broilers has been reduced up to approximately 15%. The change in fowl and turkey — where the yield is greater than in chickens and broilers — has varied very little, and therefore, it is a fair conclusion the total overall gross profit of poultry items has not changed to any remarkable degree.

Fish, in general, is lower, but at this time most of the benefit is wiped out when one thinks of the price of lobster—and lobster dishes are a popular item on club bills-of-fare.

Vegetables and fruits as a whole show a decline, but cabbage, beets, white onions and spinach are up so, percentage-wise, as to negate any savings — particularly in clubs where these items are in demand.

Lemons are extremely expensive, due to adverse California weather conditions, and apples are almost as expensive as the one that Adam consumed.

But let us assume that there existed a general overall net reduction in food costs in a substantial sense — how much, then, should be passed along to the benefit of the member's pocketbook? I said before, this variable expense is only one of many factors in the operation of any institution, and, if all the other factors have been equitably considered — if constant costs and recurring income have been provided for — then one is in position to decide on reducing the prices.

While writing this, my mind reverts to a recent meeting of some thirty-odd managers in the New York area about the cost of dollar sales in food. The variation ran all the way from 38% to 48% and the percentages would have been lower if a proper and equitable allowance had been made for employees' meals. However, all were inclined towards fixing this allowance at the same nominal amount for each of the clubs to get the benefits which accrue from consistent comparison. In some country clubs, it ran as high as 60, and seemed justified by the extreme variation in volume.

Now, just think of this development. The managers who had a low food cost and the highest labor cost — that is —

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HOSPITALIZED VETERANS GET SIX-HOLE GOLF COURSE

Frank M. Whiston (right center) pres., Chicago Dist. GA presents plaque to Dr. L. E. Trent, mgr., Veterans Administration Hospital, Danville, Ill., in ceremonies dedicating six-hole golf course presented to patients. Course was built at a cost of $24,000 with funds raised through the annual Chicago Victory national tournaments, the main source of more than $150,000 raised by the CDGA since Pearl Harbor for recreational facilities at veterans hospitals. Other officials participating in the dedication ceremonies include: (L to R) Lester R. Benston, Rehabilitation Officer, Ill. American Legion; John Bookwalter, Commander, Curtis G. Redden American Legion Post (Danville), and Charles Hack, Commander, Fourth Div., Danville American Legion.

now at Hacienda; Clyde Hudson, pro at Meadowlark; Roy Beardon, pro at the L. A. County links at Santa Anita; Eddie Nowak, Jimmy Thompson, now at Provo, Utah, and others.

So Vic Baker's story, although his selling is tied in with showmanship, is also one of good sound, solid business sense, and a look at the future, for which he has been most adept in the past—and in present conditions, seems to be doing even better than in 1948.

DUES INCOME'S RELATION

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from 48 to 60 cents on the dollar, and all reported that the real stress by officials was on food costs.

I do not wish, and it is farthest from my mind to convey that an attempt is being made, to reduce to absurdity the question of new pricing policies, but I am stressing that costs of material should be only one of many factors considered in any rearrangement of selling prices.

Economy Cries Analyzed

The other expenses which are generally considered variable, are certainly less variable than product price — there is gas, water, laundry, heat, insurance, etc., and yes — even labor — which has had a tendency towards becoming fixed in the past several years.

The question of volume has also to be kept in mind. An examination of the statistics of 17 clubs in the New York City area over the past six months discloses that both the attendance of members at their clubs and departmental receipts have fallen off.

This situation is also true in several of the country and golf clubs and although it is too early to be certain about their summer business, the indications are that receipts will decline. The house charges of those members who can write off part of what they spend as promotional expense in their business will be lower not only because the value of the item has a smaller tax deductible value but because their directors will demand more justification for free spending in the future.

It is reasonable therefore to conclude that there will be fewer guests — with less entertainment allowance money available for meals, beverages, golf and other club services.

In the review of information gathered from the sources mentioned, it was surprising to note that the regular monthly attendance of resident membership averaged only 40% for some and in a few, many members in that classification had not been on hand for months.

Surely this is not very healthy because there are few clubs in these days for which a member cares to pay the cost of resident membership just because his prestige may be enhanced and his remembrance prolonged with mention of his membership in an obituary.

The signs of more difficult times are here and even though it may be inconsequential for some it is best to be prepared.

Forecasts of future results should be scheduled and if all the factors are not in proper balance attention should be called to them. Appropriate dues should be charged if it is not too late to make changes and if so, the receipts from this kind of income enhanced by more memberships.

In any event, a fair and conservative forecast of probable future income and expense will put the manager and committee in a position to present any adverse condition which promises to result before the proper body for their consideration and action before the fact.

The indirect and other expenses which would normally be taken care of by dues, initiations and similar sources of income should not, for this purpose at least, be allocated to the departments because while there may be supervision benefits in such allocations — in a forecast or budget designed to determine the amount of dues, etc., allocations of such costs can lead to confusion and erroneous conclusions.

Even in operations doing restaurant business approximating the million mark such distribution of these expenses will in most instances drive the department into the red and the membership in general conceivably might conclude that management and committees are not efficient, when such by no manner or means is true.

In a financial statement covering operations for the last fiscal year by one large and well operated club the audit committee makes note that after allocation of indirect expenses the revenue producing departments showed a loss of about $200,000.00 and this was offset to such an extent by revenues from dues, initiation fees, etc., so that a substantial net profit accrued to the institution.

The terminology "net profit" is not good when applied to club statements — it might better be called "net provision for contingencies" or "provision for retirement of mortgage," etc., because very often the term "net profit" is misleading — it leads the membership to believe that prices for services should be reduced or that there is no need for more members or that no greater return in dues income and the like is required.

There are two clubs in this area, neither of which have any surplus to speak of, and the manager and committee have been stymied each time higher rates are mentioned because the membership at each meeting points to the facts that the clubs are running at a net profit.

It need but be said that it is high time for the manager and his committee and board to readjust their sights if they have not already done so to keep constantly on the watch and have ever before their mind's eye the question "Wither goest thou?"

THE PRACTICAL APPROACH

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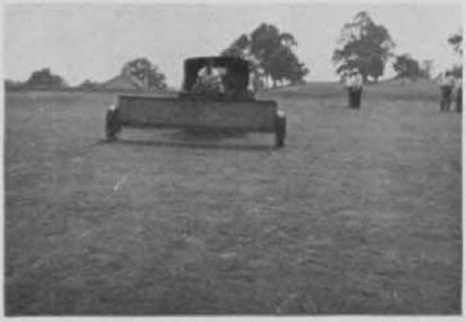
pounds per acre) are used each time by the spray method. When Milarsenite is used, several applications at 200 to 300 pounds per acre are needed. Late summer and early fall are the best times to eliminate chickweed, because reseeding can follow, when necessary, after killing the chickweed. Spring is a bad time when the infestation is heavy, because heavy infestations of clover or crabgrass may follow.

Knotweed is another hard-to-kill weed with 2,4-D after the seedling stage. Once it becomes stemmy, 2,4-D fails to give a good kill at ordinary dosages. It can be killed very easily with sodium arsenite at any stage of growth. Not over one ounce per 1,000 (2½ pounds per acre) is needed in the two-leaf stage. Spraying is best because there is not enough leaf surface to



Applying Milarsenite to kill clover, chickweed, crabgrass and to check poa annua before seeding Colonial bent grass into the fairway.

collect and hold a lethal dose by the dry method. Sodium arsenite is better than 2,4-D at this stage when grass is to be seeded into the area.

On watered courses where broadleaf weeds, clover, chickweed, poa annua and knotweed constitute the ground cover, complete renovation is best. The fairways should be sprayed in spring to kill broadleaf weeds, using 2,4-D at ¾ to 1½ pounds per acre. Starting in early July, sodium arsenite should be used three or four times at 7 to 10-day intervals to kill chickweed, clover, poa annua, and knotweed. The fair-