



Gauging the Impact of Private Club Trends

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in collaboration with

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In its recent research collaboration with Michael Leemhuis, a change leader and manager extraordinaire, GGA executed its 2019 attitudinal survey of club managers and thought-leaders. Since its inception, the study has been repeated every three years to monitor, measure, and update the evolution of trends which are having the most significant impact on private clubs.

A HISTORY OF 'FRONTLINE' RESEARCH

The private club trends research initiative began in 2010 when Leemhuis and Fred Laughlin, the non-profit governance genius, studied attitudes of general managers of elite clubs.

At the time, Leemhuis was the CEO at Congressional Country Club and had undertaken a strategic planning project to chart and maintain a plan that would inform decisions at all levels. Integral to the plan was determining which trends were having the greatest impact on private clubs.

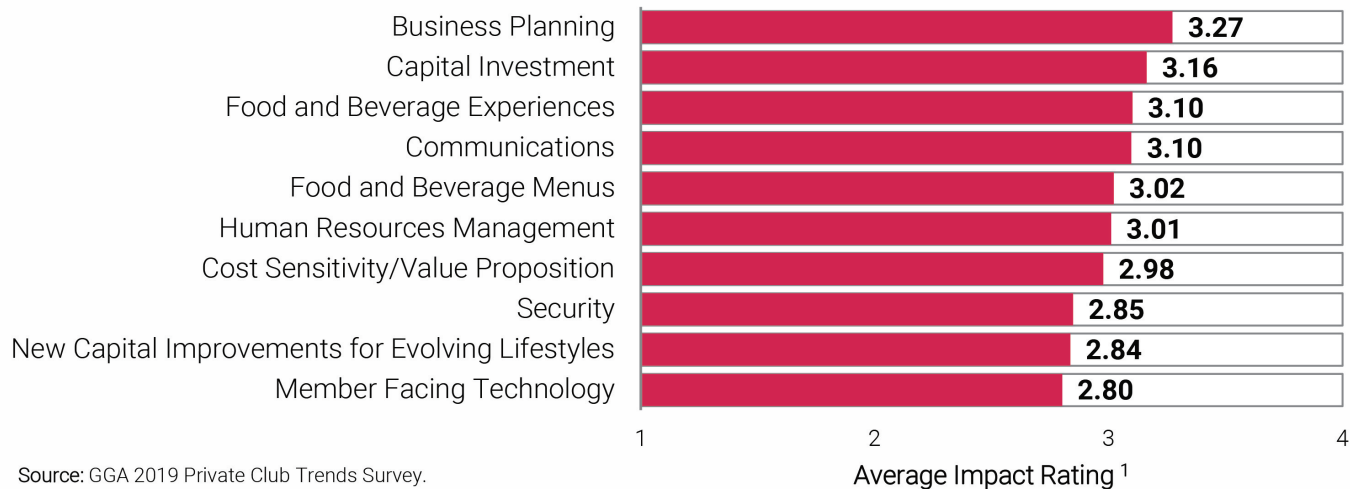
Data was initially leveraged from governmental and professional sources but Leemhuis wanted to hear directly from his colleagues who were experiencing the trends firsthand - he wanted to hear 'from the front.'

Leemhuis first developed a small advisory group of managers to identify trends they saw as most relevant to clubs. Next, he asked nearly 50 managers about the impact these trends had on their clubs and the tactical actions they had taken in response.



MICHAEL LEEMHUIS

EXHIBIT 1 | Top 10 Trends with the Highest Impact on Private Clubs



Source: GGA 2019 Private Club Trends Survey.

Note: Rating scale ranged from 1=Very Low, 2=Low, 3=High, 4=Very High.

¹ Weighted average of response selections.

The outcome was a set of credible data that proved invaluable to the Congressional planning process. It was published later that year and used by many managers to inform planning efforts at their own clubs.

In 2013, Leemhuis was approached and asked to revisit the study to see how trends had changed since 2010. A larger group of managers participated and respondents doubled.

GGA became the research masters for the 2016 survey with insightful analysis of changing trendlines and emerging points of focus for club managers. That year, the study analyzed the largest number of trends from the largest group of participating managers.

BUILDING UPON SUCCESS

In the 2019 update, the study builds on sequential research conducted in 2010, 2013, and 2016. GGA continues to monitor the evolution of historical trends and, this year has identified other rapidly developing trends, which managers were asked to evaluate.

Approximately 125 managers shared their insight, expertise, and concerns. Nine years have elapsed since the 2010 Congressional study and the number of both trends and respondents have almost tripled. While the scope of the trends analysis has substantially increased, research findings are qualitative in nature.

The study's greatest value comes from the fact that trend data is developed and assessed by real managers who are sharing real experiences, not speculation. They are spending real dollars in response to these trends, which affirms the reality of trend impacts on clubs.

This research is intended to inform and support a leadership evolution, which parallels those of industry trends. For club managers, this means making the shift from a reactive management approach to a proactive leadership role. Research findings suggest that top-performing club leaders are well-informed and dynamically responding to the current wave of change challenging their clubs.

TRENDLINE EVOLUTION

Managers and club leaders began by rating each trend individually on the degree to which it is impacting their club. There are 10 primary trends, *illustrated in Exhibit 1*, which managers at elite, top-performing clubs identify as having the most significant impact on private clubs today. This is a frontline report from those closest to trend impacts; club leaders who experience these changes each day and are charged with uncovering solutions.

Overall, individual trend impacts have increased slightly from 2016 or remained generally consistent – few trends are decreasing in impact and marginally at that. Key findings on the top 10 most impactful trends from the 2019 study can be summarized into two categories of observation: persisting trends and evolving trends.

Persisting trends are those which have historically been topline private club trends and continue to be key points of emphasis. Trends with a prolonged high impact relate to food and beverage expectations, human resources management, new capital improvements focusing on evolving lifestyles and time pressures, and member facing technology.

Evolving trends are new entrants which secured a top 10 spot or those which have generated a significant increase in impact from the 2016 study. Trends which are evolving or expanding relate to business planning, capital investment, communications, and security.

MOST IMPACTFUL TRENDS

To dig deeper into the impact analysis, managers who identified a trend as having a ‘very high’ impact were asked a pair of secondary questions to describe real-life circumstances in which it has affected their club and highlight tactics they are taking to address it.

Insights into the top 10 trends begin to tell the story of their impact on private clubs and the ways in which club leaders are responding.

BUSINESS PLANNING

As clubs expand the footprint of the facilities, activities, services, and amenities they offer, so too does the demand for strong governance and detailed long-range planning.

Club leaders are challenged develop greater agility in making real-time decisions, to source the right information to support them, as well as implement process management and ‘total work’ systems to see plans through. Many clubs are evolving from small businesses into larger, multifaceted entities, which require increasingly specific, detailed, and timely plans of action. A combination of economic interests, resource limitations, and evaluations of financial viability are compelling clubs to think longer-term and to plan more diligently.

Operating costs continue to rise alongside expanding member expectations for more experiences. Some managers say traditional club offerings can now be had without joining a club and that they are challenged to develop creative solutions for unique experiences, which members will value.

Members are wanting more and the competition is growing. To stay relevant in the marketplace, managers believe innovative planning is imperative; clubs are now looking at adding amenities they never thought they would be interested in developing.

Board expectations are greater than ever in terms of running the club as a business, multilateral reviews and data-driven business plans have become the standard. Nevertheless, managers report increases in time spent educating their boards in preparation for planning and are reliant upon expert advice, trend data, strategic board

retreats, and educational summaries to ensure knowledge transfer.

To address these challenges, clubs are improving their capabilities to develop farther-reaching plans which are better informed, more quickly developed, and aligned with club leadership. Vision and expertise are required for operations and governance to work effectively and harmoniously.

The most successful clubs are currently improving their business planning in three ways: (1) they maintain and regularly use a comprehensive strategic plan, (2) they focus on the development and education of their board/directors to help prioritize strategic thinking, and (3) they capture, maintain, and monitor performance metrics.

CAPITAL INVESTMENT

Among participating clubs, business and operating performance are heavily scrutinized. Members are expecting club leaders to project capital requirements many years ahead and follow a scientific approach to facilities maintenance and capital upkeep, all while being attuned to sensitivities surrounding fee increases. Clubs are simultaneously challenged to control costs and meet demands to enhance the member experience by creating programs, services, and amenity offerings which meet the changing needs of members.

However, some managers report that investigating what members want and providing it to them isn't enough. There is an increasing requirement to 'sell' members on capital investment initiatives by proving to members that the investments are needed to enhance their experience, attract members of the future and are beneficial both socially and financially.

Clubs continue to focus on determining the best methods for capital growth, appropriate cost levels for annual capital maintenance, member tolerance

for assessments/capital dues, and deployment of capital for facility investment. Capital maintenance strategies are leveraging reserve studies, multi-year financial models, inflation monitoring tools and changes to existing fee structures.

Clubs are looking beyond their golf courses to all facilities and are completing master plans for multiple areas of operation. New investment initiatives focus on expanding casual/outdoor dining, adding year-round golf practice and learning (simulators, enhanced short game facilities, short courses, etc.), developing new areas for fitness and athletics and connecting casual dining services with non-traditional amenities.

Tactics for capital growth vary by club; some have introduced new capital maintenance fees, others have raised existing capital dues and initiation fees, and a few have expedited high-priority and high-engagement projects through assessments or land sales. While tactics vary, several were distinguished by their recurrence among the sample. Top-tier clubs appear to fully fund depreciation and debt obligations as a priority, remain diligent in filling capital reserves and keeping reserve studies current and utilize capital plans supported by dynamic, long-range financial modeling.

FOOD AND BEVERAGE EXPERIENCES

Clubs are challenged to compete with restaurants near and far, with members expecting their club experiences to be commensurate to or better than those they receive in the public sphere. Some managers say that diverse dining experiences are directly related to members' enjoyment of their facilities.

Members are increasingly interested in food and beverage experiences such as niche-based events for a small, targeted group of members which foster socialization and building relationships with others. Change is characterized by faster, cheaper and more-casual dining service offerings;

a need for more staff to service increased event volume; mobile ordering, self-order kiosks; terrace or outdoor casual dining; requests for expanded hours of operation, and rising interest in educational dining experiences (tastings, classes, wine/beer/liquor programs, etc.).

To ensure relevance, clubs are tracking and monitoring food preparation times, providing monthly educational programming and instructional classes, researching member preferences, investing in dining facilities, and adding 'fast-casual' options such as grab-and-go or take-out or heat-and-serve. While price is a key factor related to volume, managers report that expectations for excellent food and service quality are unchanged – casual dining and speed of service are paramount.

COMMUNICATIONS

Managers believe the member experience and need for integrated data are driving technological development. Members want more access to information than ever before and seek timely, transparent, easily accessed, and individually relevant communications from clubs. Some managers say that overwhelming members with too much information is no longer a concern.

To deliver on member preferences, clubs are trying as many options as possible through a variety of platforms and mechanisms. They have turned to social media platforms, mobile applications, improved websites, in-house video production, and CRM systems to meet member expectations for more targeted, frequent and professionally-managed communications. Some have added more communications staff such as dedicated full-time employees, IT advisory task forces, or third-party public relations firms.

Such tools offer clubs faster information exchange, expanded communications reach, and opportunities for behavioral data capture. Armed with this information, clubs are seeing

more participation from more informed members. Creating a digital community for members is critical for sustaining them and managers say that it is easier to achieve alignment, understanding and consensus when members are informed.

FOOD AND BEVERAGE MENUS

Dining operations face pressure to compete with local restaurants, resorts, and keep pace with healthy dining trends and fads. Members are seeking more flexibility on menus and increased hours of service. This pressure extends beyond food and beverage into decisions relating to hiring, events and programming. Operators are needing to improve their search capabilities to source executive-level dining personnel while also increasing hours of operation.

More diverse menus are being offered by clubs to include farm-to-table, organic, locally-sourced, and gluten free items as well as mixology cocktails and wine experts/sommeliers. Members are expecting hyper-healthy menu options from local providers, excellent food quality, and 'anytime' access to club dining services (rather than traditional breakfast-lunch-dinner meals). Clubs are also planning development of new dining spaces, dynamic bar offerings, limited-time specialty dining pop-up style events, as well as on-property food gardens. However, according to managers, healthy options and menu variety are key.

HUMAN RESOURCES MANAGEMENT

Clubs continue to refine their management of human resources, adjusting to changes in health care, over-time regulations, legal obligations, recruitment processes and internal hiring professionals.

HR costs are becoming increasingly expensive because of rising labor costs; changing legislation and regulations; challenges in sourcing, recruiting, training, and retaining qualified staff; less staff loyalty, more turnover; and training/development program costs. Other concerns relate to

generational or societal changes in attitudes and expectations relating to work-life balance; flexible working hours for salaried employees; or limited supply (focus on other activities, education, lack of interest in club industry, etc.).

Managers indicate the impact of these challenges is bigger than human resources and turnover, reporting financial strain across all departments, difficulty maintaining brand and service standards and increased local market competition.

In response, clubs are creating full HR positions and departments, outsourcing some HR functions to payroll providers, ensuring additional staff support through flexible work hours and manager-on-duty programs, sponsoring visas, legal cards, and work-permits for operational employees, and assessing options for staff housing in proximity. Despite these options, some say professional attention is required for HR issues, particularly to develop more robust hiring, training, orientation and onboarding programs.

COST SENSITIVITY/VALUE PROPOSITION

As Baby Boomers continue to transition into more senior membership categories, their children in the following generation face higher costs of living, changes in discretionary spending and increasing focus on value-for-money perceptions. Clubs are challenged to balance annual membership costs with the value-add demands of members. To maintain relevance, clubs feel obliged to add new amenities or revamped programs and activities while being sensitive to minimize increases in dues or capital fees.

Clubs are challenged to grow their membership base in order to manage the all-in cost-to-belong for existing members; for some, continued improvements require getting bigger from a membership standpoint. Adding to the fee pressure, managers are reporting high price sensitivity among members, requests for discounts and fee adjustments from long-standing and

senior members and stagnant growth in recruiting full-paying dues members.

Managers are forecasting the next generation of members to be specialized and more program-driven. Clubs are turning to creative, socially-engaging, and intellectual activities as cost effective value additions to social membership categories. The injection of socialization into lifestyle activities is in high demand, increasingly important, and helps counterbalance capital requirements for the growth of new amenity options which are often out of budget reach.

Clubs are extending payment terms on initiation fees, trialing dues discounts based on age or membership tenure, exploring fee opportunities through non-traditional athletics and are relying on increased use of feedback mechanisms to ensure changes are aligned with member interests.

SECURITY

Member and employee security, both physical and cyber, is a concern for every club. Clubs are experiencing pressure to meet 24/7 security needs in all areas of operations, safety is particularly crucial for those positioned as family- and junior-friendly clubs.

Clubs have refined their focus on upgrading and maintaining security and safety systems by introducing facial recognition systems, more video surveillance and monitoring mechanisms, 24-hour manned security stations, and the use of off-duty police officers.

Efforts to secure and protect communities to establish a "safe haven" have increased through preemptive planning for crisis management and communication, deliberate facility access methods, and supervision in child-minding and kids' zones such as pools and play areas. Managers report increased emphasis on staff training programs, which are informed, developed, or facilitated by local law enforcement or private security contractors.

NEW CAPITAL IMPROVEMENTS FOCUSING ON EVOLVING LIFESTYLES AND TIME PRESSURES

Clubs are reportedly studying this very thing and are recognizing the importance to have open spaces and more interactive spaces which appeal to non-traditional member interests. New capital improvements are increasingly focused on 'lifestyle' design choices with future member preferences in mind. Many clubs are seeking market differentiation by improving club atmosphere and social settings through family-friendly design that fosters member interaction and bonding, contemporary décor and clubhouse renovations to position the club as a "living room" for relaxed socialization, drop-in work, and informal meetings.

With continued pressure on the time members have available to spend at the club, improvements are being focused on leisure pursuits that require limited time, including HD golf simulators, practice facilities, and short-courses. Clubs are currently assessing golf instruction/performance centers in a casual lounge and bar environment as well as business centers as primary short-term improvements.

MEMBER-FACING TECHNOLOGY

Clubs are finding new ways of helping their members to stay connected. Some have incorporated new technologies such as increasing WiFi bandwidth and availability; internal member social networks; member-controlled recognition and tracking systems to enhance member experience and communication with the club; expanded digital payment options; as well as technology stations for charging, Bluetooth casting, or displaying wearable technology data.

Many have begun to relax device usage policies. Some managers report that device restriction policies are obsolete and that the availability of technology tools and their integration into club operations allows managers to improve the member experience. Many clubs are now permitting personal technology use in all parts of

the club, offering charging stations for devices, increasing the use of tablets in servicing, and implementing beacon technology to track persons on property. There is a particular focus on expanding WiFi range and accessibility, with clubs striving to ensure full coverage throughout the clubhouse and using multiple wireless networks to ensure speed and accessibility.

TRENDING TOPICS

Club managers are asked to respond to the immediate needs of their members but they are also expected to position their clubs to respond to the needs of future members. By keeping an eye on the real impact of trends, they can anticipate those future needs and make the programmatic changes and strategic adjustments that are required. There is power in knowledge.

While this short summary has focused on only the top 10 trends which are having the most significant impact on private clubs, there is a great deal more afoot in the world of private clubs. The 2019 research study polled its sample of managers and club leaders on a total of 27 trends, *summarized in Exhibit 2.*

Results on these trends and more findings are detailed in a full report of the 2019 Private Club Trends research initiative which will be available for download from the GGA website at the end of January, 2019. Michael Leemhuis and GGA are pleased to share them with managers and club leaders as they too strive to serve their members.

For more information on the survey results and research findings, please contact Michael Leemhuis at Michael.leemhuis@thecollectionclubs.com or visit the GGA website.

EXHIBIT 2 | Impact of Individual Trends on Private Clubs

Trend	Very Low	Low	High	Very High	Total High ¹	Impact Rating ²
Business Planning	0%	11%	52%	38%	89%	3.27
Capital Investment	1%	11%	59%	29%	88%	3.16
Food and Beverage Experiences	1%	14%	59%	26%	85%	3.10
Communications	3%	12%	57%	28%	85%	3.10
Food and Beverage Menus	0%	13%	73%	15%	88%	3.02
Human Resources Management	3%	11%	66%	20%	85%	3.01
Cost Sensitivity/Value Proposition	2%	14%	67%	17%	83%	2.98
Security	2%	23%	62%	13%	74%	2.85
New Capital Improvements for Evolving Lifestyles	1%	24%	64%	10%	74%	2.84
Member Facing Technology	1%	29%	58%	12%	70%	2.80
Socialization	3%	19%	72%	6%	78%	2.80
Environmental Stewardship	5%	26%	57%	13%	69%	2.77
Greater Emphasis on Governance	3%	28%	56%	13%	68%	2.77
Lifestyle Experiences	3%	25%	63%	8%	71%	2.76
Sophisticated Business Intelligence	1%	35%	51%	13%	64%	2.76
Member Recruitment	3%	33%	50%	14%	64%	2.74
Debt Financing	13%	24%	42%	21%	63%	2.71
Health & Wellness	7%	30%	50%	14%	64%	2.70
Importance of "Family"	9%	34%	40%	16%	56%	2.63
Concierge Services	8%	34%	46%	12%	58%	2.62
Intergenerational Issues	6%	31%	61%	2%	63%	2.60
Non-Traditional Programs	12%	27%	56%	6%	62%	2.56
Risk Management	6%	42%	51%	1%	52%	2.48
Introductory Golf Initiatives	25%	23%	43%	9%	52%	2.36
Pace-of-Play	28%	23%	43%	6%	49%	2.27
Flexible and Non-recourse Membership Offerings	26%	39%	32%	3%	35%	2.13
Pay-per-use Membership Offerings	40%	50%	10%	0%	10%	1.71

Source: GGA 2019 Private Club Trends Survey.

Note: Table sorted by Impact Rating in descending order, dotted line delineates Top 10.

¹ Total high indicates the percentage of club managers rating trend impact High or Very High, i.e. sum of High and Very High ratings.

² Weighted average of response selections. Rating scale ranged from 1=Very Low, 2=Low, 3=High, 4=Very High.

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