NATIONAL CLUB ASSOCIATION ◆ McMAHON GROUP

CLUB TRENDS

STRATEGIES FOR SUCCESSFUL CLUBS

WINTER 2021 | VOLUME 8 | ISSUE 1

OUTLOOK 2021

The Member-Centric Club

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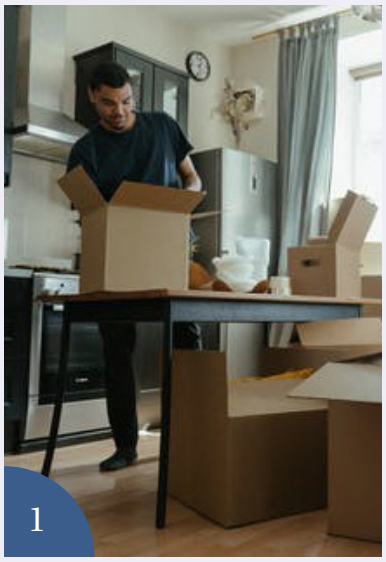

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Club Trends is published quarterly by McMahon Group and the National Club Association. Periodical postage paid at Washington, DC, and additional mailing offices.

POSTMASTER: Send address changes to *Club Trends*, National Club Association, 1201 15th Street NW, Suite 450, Washington, DC 20005.

Club Trends is distributed to McMahon Group subscribers and NCA members.

A Shifting Society

Leading the Way Out of COVID-19

By Phil Mike

As the coronavirus continues well into its second year of existence, businesses and individuals are making significant decisions to adjust to today's sentiments and prepare for the future. These moves range from small (eating out) to large (moving to a less populated area).

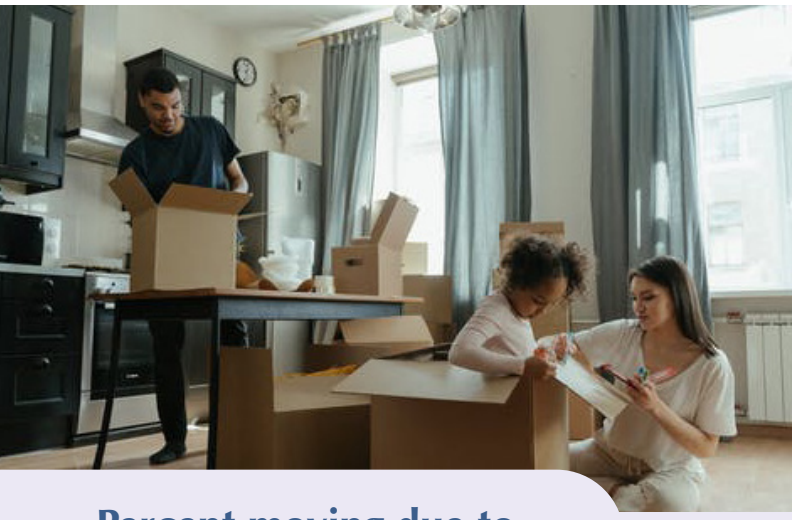
MOVING AROUND

COVID-19, in conjunction with remote work opportunities, is triggering new migration plans for millions of Americans. A recent study by Upwork found that 14 to 23 million Americans are planning to move because of greater work from home (WFH) options—a figure estimated to be three to four times more than normal rates. Between 6.9% and 11.5% of *all* households are planning a move due to the growing availability of remote work made available by COVID-19.

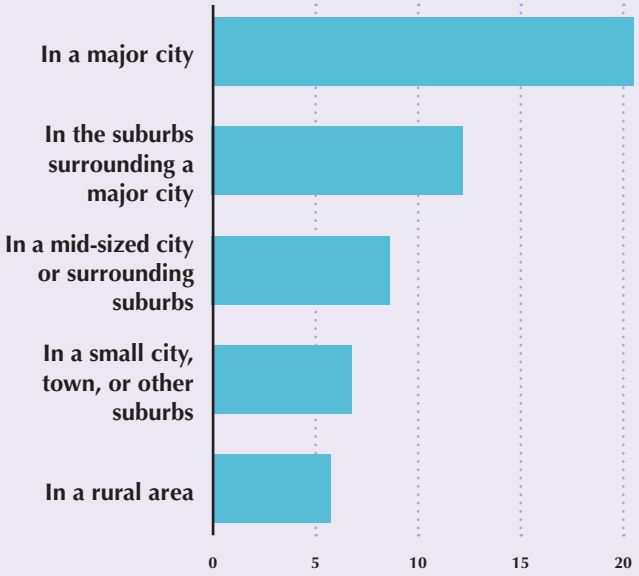
Cities are seeing the most people moving out as 20.6% of all potential movers currently reside in a major city, reports the survey. More than half (52.5%) are trying to move into a less expensive house and even more (54.7%) are moving more than two hours away from their current residence. Rental markets are experiencing similar trends as the top 10% most expensive markets are seeing a 13% larger decrease in rent prices than markets in the bottom 10%. Ultimately, the most expensive locations have seen the biggest decline in demand, while lower cost of living areas have seen stronger demand.

RESTAURANTS PREPARE FOR 2021

As discussed in previous issues of *Club Trends*, the restaurant industry has been dramatically changed by the coronavirus. In early December 2020, the National Restaurant Association (NRA) informed Congressional leadership that



Percent moving due to greater WFH



Compared to where you currently live, what kind of place are you planning on moving to? Somewhere …

Source: Upwork

the industry is in an "economic free fall." According to the NRA, 17% of establishments (more than 110,000) have closed permanently or long-term. Sixteen percent of these had been open for at least 30 years. In NRA's November survey of 6,000 restaurant operators and 250 supply chain businesses, 87% of full-service restaurants report an average 36% decline in sales revenue. The outlook does not improve for most eateries as 83% of these restaurants expect sales to be even or worse through February.

Research firm Technomic predicts that in 2021 this market will continue to pivot to find new ways to safely appeal to customers, including:

Menu Cleansing. Restaurants are shifting to fewer menu items and healthier items (immunity boosters, sustainable items like non-dairy milk and reduced emissions items).

Technology Boom. Technology is increasing the ways restaurants can serve patrons. Digital voice assistants, parking lot Wi-Fi, license plate recognition and separate lanes for app orders and delivery are creating more options that cater to customers' needs and preferences for socially distant service.

Walk the Social Justice Walk. As businesses commit to movements tied to social justice, customers, especially younger, more diverse groups like Gen Z, will demand more transparency from restaurants on these fronts. In response, restaurants will prioritize diversity through their marketing, hiring, leadership and cuisine.

Eatertainment at a Crossroads. Before the pandemic, food halls and eatertainment venues became popular as customers sought fun activities with their dining experience. Some major brands have announced plans to expand or overhaul their services and venues to prioritize COVID-19 safety measures in their models.

Topgolf's Puttshack has announced plans to move to the U.S. amid the pandemic. The eatertainment venue lets customers play mini-golf games in a fun, restaurant environment. While concerns have arose regarding social distancing and safety, Puttshack requires reservations, staggers mini-golf groups, uses QR codes for ordering, has an outdoor patio, and takes other safety precautions like sanitizing golf balls, disposable menus and staff health screenings.

CONSUMER SENTIMENTS

A recent McKinsey & Company survey shows that 75% of U.S. consumers have altered their shopping habits in response to economic pressures, store closings and changing priorities. Additionally, consumers believe the crisis' impact on their daily lives will extend for more than four months. The survey projected overall spending to rise with the holidays, but discretionary spending to remain negative. Particularly among middle- and lower-class families, holiday spending was forecasted to be lower than previous years. Spending habits are changing elsewhere as consumers are shifting spending to new brands and channels in order to get better value and convenience.

However, while millions of Americans have suffered from a limited economy, savings account balances have grown by $2 trillion, reports economist Ian Shepherdson of Pantheon Macroeconomics, indicating that there is cash available to be spent with an untapped demand for services.

Getting Out There

More Americans are engaging in activities now than earlier in the pandemic. Although McKinsey & Company data from

We have seen five fundamental shifts to consumer behavior, some of which will have a lasting impact, as a result of the pandemic

1. Shift to value and essentials

20–40% net decrease in intent to spend on discretionary categories

2. Flight to digital and omnichannel

20–50% net increase in intent to spend online, even post-COVID-19

3. Shock to loyalty

78% of US consumers have changed stores, brands, or the way they shop

4. Homebody economy

64% of US consumers are not yet resuming "normal" out-of-home activities

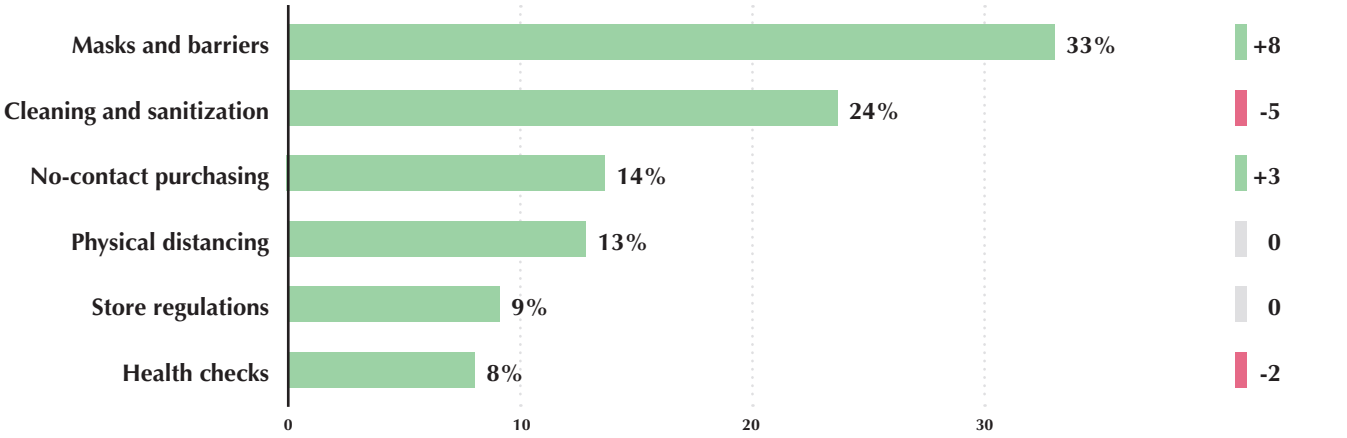
5. New holiday outlook

84% of US households plan to maintain or reduce their holiday spending

Source: McKinsey & Company

Top Priorities for Consumers When Deciding Where to Shop[1]

% of respondents for whom this criterion is the most important[2]



1. Q: *Once restrictions lift, which of the following factors will be most important to you as you decide which of these places to visit in person?* Respondents were asked to select the most important.

2. The following categories are included in each bucket: Cleaning and sanitizing—increased cleaning, improved air filtration, availability of sanitizing supplies throughout the store; Health checks—customers wellness check (e.g., temperature) on entry, employees' wellness check (e.g., temperature) on entry; Masks and barriers—customers and employees wear masks, customers and employees provided masks and gloves, plastic barrier with cashier; No-contact purchasing—curbside pick-up casiher-less checkout, no-contact delivery, buy online for pickup in store; Physical distancing—customer number limit, distancing in customer line, reduced employee activity during shopping hours; Store regulations—no customer product testing, one-way store aisles, special hours for high-risk shoppers.

Source: McKinsey & Company

October shows that 80% of consumers say they still feel somewhat unsafe, out-of-home activity is increasing with one-third of consumers resuming "normal" out-of-home activities.

Wealth Divide in Sentiment

Consumer confidence fell in November to a three-month low after a new surge in cases caused jurisdictions to restrict businesses, reports MarketWatch. Even though a vaccine will be arriving to millions of Americans, the future expectations index, assessing how Americans view the next six months, fell as well. According to Lynn Franco, senior director of economic indicators at the think tank The Conference Board, consumers forecast that neither the economy nor labor market will gain strength heading into 2021.

This sentiment is not necessarily shared by wealthier individuals. Interestingly, a pair of surveys of business executives, who are likely to be high income earners, showed that their confidence in November rose to a five-year high as businesses prepare for a return to normal in 2021, prompted by the vaccine. Additionally, McKinsey & Company data shows that wealthier Americans are more eager to get back to in-person activities than those with less income.

EVOLVING WORKFORCE AND WORKPLACE

Reshuffling

One of the most dramatic economic impacts have been the reshuffling of the workforce. Roughly half of the 22 million American jobs lost early in the pandemic have been recovered as businesses reopened and brought back laid-off workers, reported the Department of Labor in September. Many of these individuals who have found new jobs changed careers altogether. Indicating the shift, from January to October of 2020, Amazon added 400,000 workers, particularly to its e-commerce division. It is not known from where these workers came. A large number of them likely came from the hospitality sector which has been decimated by the virus.

Additionally, an October Harris Poll survey reports that 63% of workers who lost jobs because of the outbreak have changed their industry and 4% have changed their field or overall career path. Being laid off due to COVID-19 was the

Top activities consumers are eager to get back to

% of respondents for whom the activity is in their top 3 choices

Income over/ under index

		Low	Medium	High
Get together with family	41	3%	1%	-6%
Get together with friends	37	1%	2%	-4%
Dine indoors at a restaurant/bar	37	2%	2%	-5%
Go out for family entertainment	23	0%	1%	-1%
Attend a concert, sporting event, movie, etc.	23	-4%	0%	6%
Travel by airplane	20	-7%	2%	7%
Go to a hair or nail salon	17	3%	0%	-3%
Visit a crowded outdoor public place	17	-1%	-2%	3%
Shop for non-necessities at shopping mall/department store	16	2%	-2%	0%
Go to the gym or fitness studio	12	-3%	-1%	6%
Interact with coworkers in-person	12	-5%	-1%	9%

Source: McKinsey & Company

number one reason for the career change (30%), followed by needing a job that paid more (27%), no growth in current/old position (26%) and being afraid of being laid off (22%).

The pandemic has significantly impacted low-wage and skill workers who often are unable to transition careers. On a large scale, mismatching jobs and talent could slow the recovery.

Some employers are dealing with skills gaps with increased employee training in adjacent, similar or new skillsets that will allow staff to adapt more easily to a changing work environment. Ricoh, a global printer and copier manufacturer, has adapted by transforming itself into a digital services company. As external forces change the company's demands, Ricoh partnered with Skillsoft, a digital learning company, to create a more forward-looking and resilient workforce that will be able to perform new roles in the future. In April, PepsiCo launched a learner experience platform that provides articles, podcasts and videos to help ensure their staff have the same career development opportunities as before. Early in the pandemic, these programs included emotional intelligence, parenting tips and other training to build a well-rounded workforce.

New Workforce Demands

The coronavirus exposed many weaknesses and strengths among businesses and their leadership and is expected to pose new challenges and opportunities for them to succeed in 2021. WBT Systems, education consultant for associations, predicts several new workforce trends for the future:

Adaptability. COVID-19 quickly changed the operations and priorities for many businesses. Businesses that can pivot and have the employees to do so can seize new opportunities more quickly.

Leadership Skills. The virus rewarded leaders who can manage in uncertainty. Moving forward, leadership will need to gracefully change quickly and stay creative during crisis.

Results Only Work Environment (ROWE). As work goes remote, more businesses will shift to a results-based model for employees rather than hours logged.

Millennials at the Helm. By 2025, millennials will make up 75% of the workforce, occupying more leadership roles and allowing their priorities to influence business practices. Flexibility has been a top goal for many millennial workers. With the onset of mass remote work, it is expected that workplace flexibility is here to stay.

Gen Z Development. Generation Z, those 23 and under, understand the need for development to advance professionally and financially. They desire introductory certification and badges from employers and online education platforms.

Increased HR. As remote work and diversity and inclusion initiatives become more pervasive, increased training for HR and adapting to a remote training program will be more important for employers.

Increased Challenges for Women. As many women are working from home as well as raising children, some forecasters believe they will be nearly twice as likely to leave the workplace than their male counterparts. Employers have an opportunity to address this through sharing responsibilities and better leveraging technology.

Outsourced Workforce. Remote work has become more popular allowing employers to outsource their work and minimize employee benefits. Employers should ensure they properly train outsourced staff to better fulfill their unique duties.

SANDWICHED GENERATIONS

The COVID-19 pandemic has exacerbated familial responsibilities among generations. Many Americans, particular millennials and Gen Xers are finding themselves taking care of both their own children and their parents. As the pandemic continues, these individuals are performing tasks like buying groceries, and running errands to protect their older parents. This group used to consist of middle-aged Americans but is growing increasingly young. Five years ago, millennials made up roughly 20% of family caregivers, reports an AARP study. Today that number is 39%, roughly the same number as Generation X, reports a Morning Consult survey for New York Life.

These responsibilities are pinching pocketbooks for millennials who are also saving money for a house purchase or children. These expenses contribute to less savings, less investments into retirement accounts and more working hours.

WELLNESS GETS REAL

A recent panel at the Global Wellness Summit gathered leading journalists and forecasters to share how the pandemic is shaping the wellness industry for 2021. These trends take a foundational approach to wellness that focus on basic needs opposed to more indulgent forms of wellness. Here are six trends they believe will emerge this year:

Healthcare and Wellness Converge. The coronavirus has exposed the importance of preventative lifestyles, providing a mesh point for health and wellness. Panelist Sandra Ballentine, editor at W magazine, said 2021 will bring a combination of functional and conventional medicine. Cecelia Girr, Senior Strategist at *Backslash*, commented that integrating health care into wellness will add science-backed credibility to the wellness industry.

Immune Boosts. As discussed in the previous issue of *Club Trends*, immune boosting products are emerging from food, to supplements and education classes. Genetic testing to identify the best immune therapies for individuals will see more growth.

Removing Taboo from Common Issues. Wellness will shift from emphasizing comfort to core topics often considered taboo in the industry: sex, money and death. Girr forecasted that healthier end-of-life practices, financial therapy and wellness approaches and a new focus on

women's sexual wellness and reproductive health will emerge.

Nature. While COVID-19 has limited people's ability to see each other, it has incentivized travel tourism and sustainable travel.

Home Wellness. The pandemic has amplified the importance of making home a place for wellness. Products like air purifiers, humidifiers and even wardrobe purifiers, which remove pathogens from clothes are trending up as residents and innovators strive to "pandemic-proof" homes.

In-home and Hygienic Beauty Products. Expect beauty products to focus on antimicrobial and antibacterial benefits, forecasts beauty and wellness consultant Jessica Smith. The self-care beauty trend will grow as consumers look for products they can use in-home, predicts Ballentine. Wellness professionals, nutritionists and personal trainers have new opportunities to grow the in-home experiences with services like virtual classes and digital content.

FITNESS FORECAST

An April 2020 survey of 1,000 fitness club users by investment bank Harrison Co., forecasted that fitness clubs could lose $10 billion annually due to COVID-19.

In response, fitness studios pivoted to virtual offerings as 40% of respondents indicated that they began working out at home for the first time. However, hybrid models have emerged to cater to exercisers' preferences. Early in the pandemic, roughly 70% of studios offered virtual services but more recently that number has moved to 90%. Still, even as studios reopen, operators expect only 25% to 30% of people to return to in-person classes, with the rest accessing classes digitally, creating opportunities for them to extend their audience past those who can make it into the physical facility.

Marilyn Cox, vice president of marketing at Clubessential Holdings, recommends operators promote registration and check-ins for virtual classes via text or app. Operators can also personalize messages to their customers and prioritize at-risk members to create a connection and keep them engaged.

Fitness Trends and Data

34% of gym members have or plan to cancel their gym memberships after COVID-19 totaling more than 20 million memberships.

More than **38,000** clubs and studios have presently closed due to the virus.

At least **500,000** fitness club employees have been furloughed due to COVID-19.

37% of all survey participants indicated they would work out more after COVID-19.

Source: Harrison Co.

HOSPITALITY WILL RELY ON TECH

The COVID-19 pandemic has wreaked havoc on the hospitality industry, but leaders are hopeful about the future, especially as technology presents opportunities to make facilities safer and more efficient. Mark Holzberg, President-Americas, CEO at Cloud5 Communications, believes the crisis has accelerated hospitality's digital transformation and will reward those brands that embrace a digital and physical mix of tools and services that increase efficiency and reduce customer friction. Hotels will use technology to automate work processes and keep better data to understand trends, compare forecasts with results, and track competition, says Datavision Technologies Co-Founder and Vice President Sherry Marek. Touchless features will also be used by hotels to build guest trust and confidence, forecasts Warren Dehan, President of Maestro.

A COVID-19 FORECAST FOR 2021

The coronavirus continues to force businesses and consumers to alter every aspect of their lives. However, compared to 2020, this year poses more proactive approaches to respond to the virus, giving new opportunities for effective and thoughtful planning. Clubs should remain mindful of these trends to ensure they stay on the forefront of this crisis.

Pulse Survey

Coping with COVID-19 - Winter 2020

In December 2020, McMahon Group conducted a Pulse Survey of 325 club leaders to assess the challenges and opportunities that lie ahead this winter for clubs.

RESPONDENT DEMOGRAPHICS

- **67%** golf/country club
- **12%** City/athletic club
- **11%** Yacht club
- **10%** Other

20% of respondents located in a gated/ residential community

VIRTUAL PROGRAMMING

Are you providing any virtual events/ programming to your membership at this time?

Yes: 57%	No: 43%

In the post-COVID-19 future, do you anticipate your club will continue to offer some virtual events/ programming to your members?

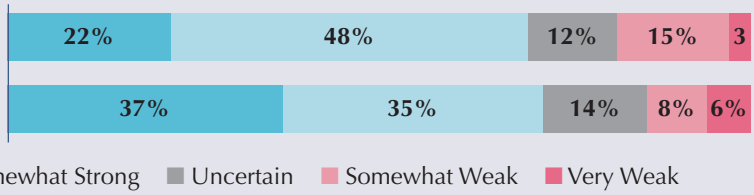
Yes: 90%	10

Which of the following virtual events/ programming would your club like to continue offering in the post-COVID-19 future? *(mark all that apply)*

Committee Meetings	37%
Board Meetings	34%
Cooking Classes	26%
Speaker Series	23%
Live Streaming Club Events	21%
Fitness	21%
Golf Lessons	13%

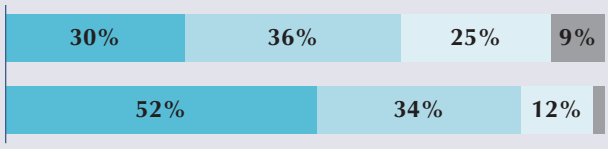
FINANCIAL/STRATEGIC

How does your club's current financial position stand along the following dimensions?

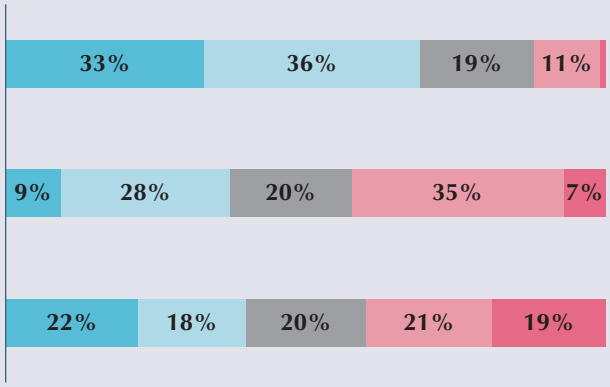


Responses to this question varied according to club type, with golf and country clubs reporting a stronger financial position relative to maintaining revenues (77% selecting "strong") and reserving for capital improvements (78%) than city clubs (33% and 42% respectively).

Looking to the post-COVID-19 future, indicate how confident you are in your club's ability to achieve the following:



Indicate whether you agree or disagree with the following statements:



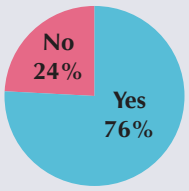
City clubs view their future staffing model differently than other club types. Seventy percent of city club respondents agree they will operate with a smaller full-time staff in the post-COVID-19 future compared to only 32% of golf or country clubs.

FACILITIES

In your view, does the current environment represent a favorable or unfavorable time for undertaking facility improvement projects?

Very Favorable	20%
Favorable	52%
Not Sure	9%
Unfavorable	14%
Very Unfavorable	5%

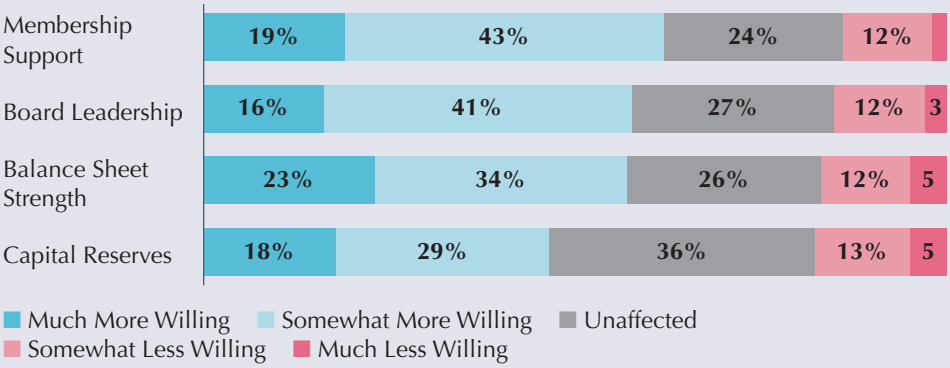
Will you be planning a capital improvement project in 2021?



What area(s) will you be addressing with capital improvement project(s)?

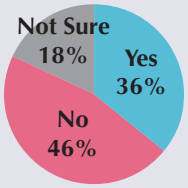
Clubhouse	45%
Golf Course	35%
Technology (including Wi-Fi and security)	23%
Racquets	19%
Pool Area	18%
Fitness	14%
General Sanitation	13%
Workstations/Spaces	8%

Please indicate whether the following factors have made your club more or less willing to undertake facility improvement projects in the current environment.



Club leaders see membership support as being the most important factor driving facility improvement projects followed closely by board leadership.

Do you feel there is a desire among your members for your club to offer remote workspaces/stations for member use?



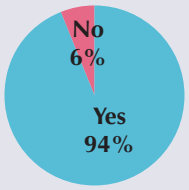
In the next 3-5 years, do you think your club will provide work spaces (or more such spaces) for members?

Definitely Will	15%
Probably Will	25%
Might or Might Not	32%
Probably Will Not	23%
Definitely Will Not	3%

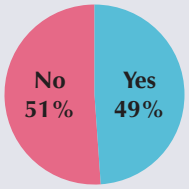
Responses varied highly according to club type with 64% of city clubs responding "Yes" compared to only 34% of golf or country clubs. Response also varied according to geography: The Mid-Atlantic region reported the greatest desire among members for such spaces (53%) while states in the Southeast region reported the lowest (25%).

DINING

Tax regulations and legal guidelines permitting, would your club like to continue offering to-go dining to members?



Is your club exploring any new dining concepts?



The three most cited concepts were: 1) outdoor casual, 2) 'grab and go'/counter or kiosk ordering, and 3) mobile and app-assisted ordering with on-site delivery.

MEMBERSHIP

In comparison to previous years, what are your general expectations for membership attrition for the remainder of fall and throughout winter?

Attrition will be much worse than normal	Attrition will be somewhat worse than normal	Attrition will be normal	Attrition will be somewhat better than normal	Attrition will be much better than normal
2%	19%	52%	21%	6%

How does your current initiation fee compare to 2019?

Up Significantly	Up Somewhat	No Change	Down Somewhat	Down Significantly
4%	28%	66%	1%	1%

Median Initiation Increase: **$3,000** • Average Initiation Increase: **$7,145**

Clubs in the Southeast region were the most likely to increase their initiation fee in 2020 (44%) while those in the Mid-Atlantic were the least likely (19%).

GET THE REPORT

The full Pulse Survey Report is available at no cost to anyone who completed a survey. If you did not complete a survey, but still would like a copy of the report, please visit mcmahongroup.com for more information.

The Roaring Twenties

The Decade of the Member

By Frank Vain

While cognizant of the personal tragedies and economic havoc brought about by the COVID-19 pandemic, the reality is that it has been the best thing to happen to private country clubs and gated communities in the past 20 years. As the world moved at warp speed to create a vaccine for the new virus, COVID-19 cured the lingering illness that has been plaguing clubs for decades: Irrelevance. They took on a different character by returning to their roots as a private member enclave. It is amazing how well it worked, and it provides a template for how clubs should position themselves going forward.

Quarantine and the subsequent disruption of the annual calendar make it difficult to recall what things were like at the beginning of the year, so it is worth remembering the litany of challenges club leaders faced going into 2020. In a perverse way, things were too good, and the big challenge was getting members' attention in a booming economy. Between 24/7 work and family activities for the younger set and cheap and easy travel for the older generation, members and prospects found it increasingly difficult to find value in membership. Clubs faced unprecedented levels of competition from a culinary explosion that gave people access to wonderful foods and beverages in all types of settings and price points. In addition to commercial hot spots, there was a spate of new clubs and club-like concepts whose new age facilities and relaxed rules proved popular with young people. Golf rounds, which peaked in 2003, remained in decline, especially among the younger generation, eliminating one of the primary reasons to join a country club. To top it all off, the economy made it nearly impossible to find and keep staff in a near zero unemployment environment.

THE SAFE HAVEN

Following the unsettling days of quarantine, country clubs and gated communities were suddenly popular again. In a McMahon Group Pulse Survey taken during summer 2020, 96% of respondents indicated their members perceived their club to be a safe haven. Ninety-seven percent noted high participation levels in golf and 61% reported that racquet sports were more popular than ever. Clubs also faced far fewer competitive outlets and the lack of travel options brought back the "staycation." To protect their members and staff, and due to lack of demand or local rules, most clubs eliminated group activities and outside events. Many also eliminated or greatly reduced guest access.

Instead of losing members after making these changes, many clubs saw increases. Members were appreciative to have any social or recreational outlet, especially one that felt safe and secure. Despite simplifying their operating schedule and restructuring their programming, activities were wildly popular. Importantly, members received better service

Safe Haven

A recent Pulse Survey conducted by the McMahon Group asked more than 300 club managers to agree or disagree with the following statement:

'Our Clubs is perceived by members as a safe haven.'

because they needed tee times and reservations to be on property, even at the pool. This made it easier for the staff to be effective as they knew who and how many people were going to be at the club that day. That streamlined and refocused staff was in better shape to do their job because they were not distracted by wedding planning or tired from putting in overtime during the Monday outing.

Managers reported how much members appreciated the new environment. While Jim Sutton, CCM, at Country Club of Charleston and his staff did a lot of things to create a better member experience, one of the more frequent positive comments he heard was on parking availability due to the lack of banquets. The club seemed more accessible and private. Joe Bendy, CCM, CCE, COO and general manager of River Oaks Country Club in Houston, where very large events are commonplace, took the opportunity of space and staff availability to start new, simpler member programs like burger night on the patio and Taco Tuesday on the Terrace, all to rave reviews. We learned that "over the top" may be just that.

MEMBER-CENTRIC CLUBS

Of all the ways we could describe 2020—many of which are unprintable in a professional publication—it created the "Year of the Member." Taking a cue from Former Obama Administration Chief of Staff Rahm Emanuel, club leaders should not let this crisis go to waste. While clubs were forced into a member-centric operating model due to COVID-19, they should use the lessons learned to make it an intentional part of their strategy for 2021 and beyond. When the crisis passes, something that now seems possible by the end of 2021, people will be ready to spend money and get back to living. Unlike other recessions where households emerge with limited resources, many people, particularly the affluent, have increased their net worth during this time. Clubs must plan now so they are ready to compete when people again start travelling for vacations or business and they get back to attending concerts and sporting events. Unless they adopt lessons from this period, clubs will find themselves struggling for attention in the years ahead.

This is the time for clubs to clarify their priorities, effectively doubling down on their member focus. Anecdotal comments on financial performance, and validation from our friends at Club Benchmarking, indicate all those supposed revenue generating activities did more on the revenue side than they did to generate net income. More importantly, they drained energy and focus. Doing the things to keep members happy and satisfied and generating more "whole-dollar" dues and fees is the path to success and sustainability.

This period has accelerated the major trends that already exist in society. Remarkably, changes that would have taken years have occurred in a matter of months. The other interesting aspect of this is that most of these align with the value set of the millennials, accelerating the impact this group will have in society. Since the leading age of this cohort is now entering their prime joining years (ages 35 to 45), positioning your club to serve this group is essential to sustainability.

Many of these trends present opportunities for clubs. Work from home, which is likely to morph into a blended environment of partial home and office use, is here to stay. This gives people much more flex time as they shift when they work and play to suit their needs and eliminate commutes. The pandemic has also pushed the adoption of new technologies. While Zoom meetings have their drawbacks, they will be part of the meeting environment going forward. People want customized communications and ease of use, both hallmarks of tech-assisted communications. Harvard Club of Boston is starting to use artificial intelligence to track how their members use the club and where they spend their money.

THE NEW HOME AWAY FROM HOME

Finally, COVID-19 has transformed the home, which means the club facilities, a member's home away from home, also needs to be transformed. Country clubs must transform from special occasion places to relaxed, multi-dimensional settings for daily life. This could be in a casual indoor or outdoor bar or dining space, sitting around a firepit, doing some work in the club café or taking away chef prepared meals from the club shop.

The pandemic has created an historic opportunity for the game of golf. It has reduced time constraints and other factors that have been limited participation for years. The professional team and Golf Committee should use the insights from the 2020 season to reinvent their golf program. While some data suggest the 2020 surge has been driven by the more frequent players playing even more frequently, there is also evidence it has opened the game to new participants, namely young people and women. The industry must continue to eliminate the barriers that have tended to discourage these groups. Innovative programs like the one developed by Joe Schwent, PGA, at Country Club of St. Albans includes all the right elements. It features a plan to understand each player's goals, free lessons to increase performance, engagement and enjoyment, reasonable pricing for events and above all else, fun. This foundation was in place for years, but it is built for these times.

Under the cover of COVID-19, club leaders should take the opportunity to focus on the member experience, reduce the distractions and stop chasing commercial activities. The focus must be to build value in the member experience. Your club will be better for it today and in the post-COVID-19 world.

Operating and Capital Funding Models for Strategic and Member-Focused Clubs

By William P. McMahon, Sr., AIA, OAA

One of the effects of the COVID-19 virus has been a wake-up call for clubs to return to their original purpose. Clubs need to reflect on the basic mission of serving members rather than trying to run semi-public banquet centers, public golf courses for outings and trying to compete with for-profit entities to make marginal profits.

The pandemic has forced clubs to think and act strategically in order to have financially viable operations. Many private clubs today still need more members—and with 75% of all new members joining a club being under age 56, clubs need to focus on what this age group wants. These new, not so young members are not joining country clubs for banquet centers or good places to have golf outings. What these younger members value are club offerings that enhance family usage, offer good casual dining, have year-round recreation offerings, provide great golf and are places where a sense of community is created for developing friendships. Member-focused club characteristics provide high satisfaction and good value, and they have the income-producing result of creating full membership that results in maximum dues revenues. Also, dues revenue for clubs is 100% profit, whereas commercialized services might at best achieve a gross 30%, but in reality, a meager net 15% profit when all cost factors are considered.

ESSENTIAL CLUB MEMBER SATISFACTION

Every club must have a strategic plan to guide it. A club's mission should clearly define its purpose and state:

- Who it serves
- What it provides
- What quality level it strives for
- What makes it unique in its marketplace

For a private 501(c)(7) club, profit should not be a strategic goal, but rather high member satisfaction and a full membership.

Clubs should not identify golf outings as a primary goal, but rather to have great golf that is not crowded. By subsidizing a club's operating cost through golf events, clubs have seriously impacted their primary goal of member satisfaction. Consider whether your club does a marginal job with à la carte dining for your members and a great job of offering delicious food and service for nonmember banquet events?

According to McMahon Group's survey research of more than 1,000 private clubs, 92% of members would like their club to be "one of their favorite places to dine," but on average only 44% of members say it is. When testing members' satisfaction with their club's à la carte dining offering, 70% of dining programs are under-performing. This is not a price issue, but a quality, consistency and service issue. Many clubs take care of their nonmember dining business and ignore their own members' needs. Why?

While dining is not the primary reason members joined the club, it is the most important club offering for members once they have joined. Clubs must return to their true mission of service to members and providing "very satisfied" members. Clubs must stop trying to run marginal profit centers that are negatively affecting members' satisfaction.

THE MEMBER-FOCUSED CLUB

The member-focused club should be the industry's goal, but what is a member-focused club and can it afford to operate one? Each club develops its own strategic plan and strategy for success. In today's world, most clubs should be focused on serving the members' family, offering year-round, high quality club activities and providing good value for the cost.

A club's financial goal cannot be trying to run the most economical club. Clubs are in the happiness business—they are not commercial entities. Clubs are nonprofits that provide great experiences for members at good value. They build friendships that money cannot buy. Club mission statements should not include statements like being cost conscious. This is language for reduced spending, resulting in becoming a club that slowly goes out of business.

Today's member-focused club has to have as its primary goal that of achieving high overall member satisfaction with all club offerings. This means that at least 50% of all members have to rate their club satisfaction level as "very satisfied" and at least another 40% of members as being "satisfied." Members' overall satisfaction is critical for club success. When clubs provide offerings at the very high satisfaction levels, especially those most important club offerings of dining, golf, wellness/fitness and clubhouse facilities, they have full memberships.

THE FACILITY CHALLENGE

Providing and funding the club facilities is critical to its success. Rarely do clubs adequately fund their facility depreciation on club assets today, and at best, most clubs only fund half of their depreciation annually—leaving hundreds of thousands of dollars in future liability. Club boards can mislead themselves as the depreciation costs continually mount; however, providing a deteriorating facility experience that discourages attracting and retaining members results in lost dues revenue. If clubs can keep full memberships, they can fund all depreciation.

A major club challenge is to continually reinvest in order to make improvements beyond maintenance and deprecia-

How Capital is Raised for Facility Projects:

1

Membership survey identifies facility needs and willingness of members to fund

2

Planning Committee develops facility plan for members' approval

3

Finance Committee develops funding plan and bank financing

4

Members usually have 3 funding options of monthly payment, upfront payment or combination of the two

Note: Monthly payment plan most used and raises twice as much funding than other two.

tion. Clubs that stay current with the latest trends in recreation, dining, family programs, golf, etc., remain competitive in changing marketplace conditions. This is no different from any other business or organization that needs to continually reinvest in order to satisfy the needs and desires of its customers or members.

To fund these ever-changing facility needs, the question is always, where does the club find the needed money? Since major improvements are needed about every 10 years, clubs have to plan for this. There is always the opportunity to begin collecting future facility money in reserves, before it is needed. The best approach for being able to fund future facility projects is to allocate some future capital funds every year over the hypothetical 10-year accumulation period so a club has saved a third to a half of the needed future funding for its ten-year cycle projects. It is possible to develop a future facility funding cost estimate for anticipated additions so capital can be collected in advance of project need. Take for example, a club today studying the major six trends affecting club facilities. A club's leadership can project its need to, for instance, enlarge its wellness/fitness facilities as they continue to grow in popularity, add spa-like amenities for women and more year-round facilities like golf simulators and coffee shop lounge areas. These facilities are all logical expansions that clubs will need if they don't have them today.

By estimating the costs for such projects, a club can start putting money in reserve accounts. If a club can build future capital reserves for its 10-year-out projects, this makes it immeasurably easier to achieve member approval of them by lessening the need for large capital assessments.

When creating and funding future capital reserve accounts for long-term projects, it is critical that future boards cannot easily tap these funds for pet projects that influential board members can't resist.

However, there is something worthwhile in how clubs fund major projects today. This process works better when members control what improvements are built—by way of member surveys—than by board decisions alone. When listening to members and proposing what they support, it is relatively easy to get project approvals. It is all about good communications justifying the need and costs with a funding plan that members support for projects they want.

Developing, presenting and approving special facility improvement projects work when members get to control and approve each project based upon its merits, costs and feasibility.

FUNDING FACILITY PROJECTS

There are three basic ways to fund major club facility projects:

- Monthly capital dues funding bank loans
- Upfront capital assessments without loans
- Using a combination of monthly capital dues and upfront capital assessments

The dollar amounts members are willing to pay for each way of funding vary significantly with the monthly capital dues being by far the preferred funding source that can raise twice as much capital through bank loans.

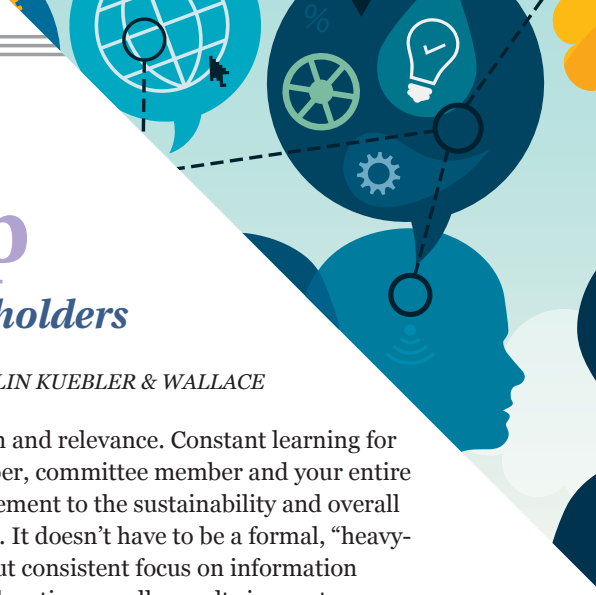
However there are other facility funding methods that may pertain to each clubs' own circumstances. A partial list of these are:

- Use of excess cash-on-hand including unreserved capital funds.
- Possibility of selling excess land to generate capital, though this method has many detractors.
- Growing the membership and using new dues and initiation fees to support debt service on new loans. This option is only viable if a club first gets the new members committed to join before spending borrowed funds on projects. One way to do this is creating a new, nongolf membership category that sees value in added facilities that would attract the new members.
- Allocating annual cash flow surpluses and/or portions of initiation fees for predetermined projects.
- Developing and selling residential condominiums with developers on club land for club members only. Also clubs in urban areas can sell air-rights to neighboring buildings or trade for new facilities like the University Club of Chicago did.

Private clubs are in a game-changing world that is offering new opportunities that the industry never have thought possible. It is true, clubs can actually make lemonade out of our COVID-19 lemons if they think and act strategically. With a COVID-19 vaccine, clubs can soon get back to the basics of achieving their club missions, that of serving members, and quit trying to compete in profit-generating businesses that are not their mission.

If clubs focus on true membership satisfaction, they achieve full memberships. If clubs focus on continually changing with the times, they achieve full memberships. If clubs keep their facilities up to date, members don't leave. Clubs in our society are changing. Clubs can either change with society or disappear. The saying has never been truer, *Clubs that live in the past will soon be a part of it*.

Don't let your club live in the past. Strategically invest in the future, and your club's future will be bright.



Informed Leadership

The Importance of Continually Educating Stakeholders

By Richard Kopplin, Kurt D. Kuebler, CCM & Thomas B. Wallace III, CCM, CCE, ECM, KOPPLIN KUEBLER & WALLACE

As we've traveled across the country visiting clubs over the years, we've been fortunate to identify certain best practices that consistently lead to high performing clubs. We encourage clubs to seek out industry best practices, adapt them to their specific operation and implement those best practices within their own club. We urge club leaders to then "memorialize these standards" so everyone in the organization knows what the standards are, how they work and why they are important to the success of the club.

One of the most important best practices is creating informed club leadership by continually educating all stakeholders—boards, committees, members and employees. When stakeholders are regularly educated on industry trends, societal trends, best practices and the state of the club industry, clubs are more successful. Informed stakeholders create the foundation for a healthy organization. Board members, committee members and employees of all levels who are regularly provided education and training, better understand their role in the club. They are more effective in their positions and perform at a higher level. And, keeping members generally informed regarding industry trends and successes has future impact when they become more involved in volunteer leadership roles.

Clubs by their shear nature of formation are social organizations and therefore, prone to more emotional than fact-based decision-making. Educating board and committee members helps alleviate emotion from dominating the decision-making process. Providing background information on "why" things are done and "why" decisions were made gives stakeholders clarity. Too often clubs miss the opportunity to gain support and buy-in by stakeholders because they forget the very important element of "why" things are being done, and only communicate "what" is being done. The "why" is an essential piece for stakeholder understanding. Thus, talking about standards often, providing regular education stakeholders, and sharing the history behind decisions, ensures that each board member, committee member and employee knows their role, responsibilities and how they connect to others in the club.

WEAVING EDUCATION INTO CULTURE

Informed leadership starts with creating a culture of constant learning, from service to governance through training and education. When the education and development of people becomes deeply weaved in the club culture, the expectation that learning is an important part of every job within the organization is established, and that usually leads to innovation and relevance. Constant learning for every board member, committee member and your entire staff is a critical element to the sustainability and overall success of the club. It doesn't have to be a formal, "heavy-lifting" exercise, but consistent focus on information conveyance and education usually results in greater or quicker understanding, trust and ultimate buy-in or support.

Weaving education into every position at your club begins by making it a priority. Every meeting agenda should include an educational aspect. Dedicate time at board, committee and staff meetings to discuss best practices, trends, results of industry surveys and how they impact your club. Considering adding this element to town hall or annual membership meetings, focus group sessions or the now standard practice of virtual member meetings. Include educational topics in newsletter articles and in management team meetings. Make best practices and industry knowledge part of the language at your club to keep learning the priority.

During COVID-19, education became an urgent need for boards and management teams. Club leaders were searching for information, seeking guidance, and scouring resources for best practices in the pandemic. Industry associations such as the National Club Association stepped up to provide numerous webinars, surveys and resources to help club leaders navigate the unprecedented and challenging times. Clubs that did not seek out information and stayed on their own island did not fare as well as the clubs that took initiative to gather intelligence, find resources and communicate that knowledge with stakeholders consistently.

Over the past few months, presidents' councils have formed with the assistance of regional GMs/COOs. These collaborations provide a way for club presidents to not only share information about COVID-19 happenings but also to talk about water issues, labor challenges, amenities, local initiatives and other topics affecting clubs. These connections provide a great way for club presidents to generate ideas, be sources of information and have a unique sounding board for ideas or concerns. Gathering to network and share information creates a culture of education and data versus misinformation, micromanagement and emotional decision-making. Department heads and senior managers may want to create similar opportunities to expand their own networks as well.

When it comes to education, consistency is the key ingredient. Training and information must be provided regularly. Once a year during board orientation or new employee onboarding is not enough. Make educating stakeholders a priority and establish informed leadership to set your club on the path to success!

The Club Business Model: Evolving or Returning?

Crisis Brings Lessons in What it Means to be Member-Centric and Why it Matters

By Dave Duval and Chris Davis, Club Benchmarking

"It's only when the tide goes out that you discover who's been swimming naked." The gist of that famous Warren Buffet quote is that adverse conditions tend to expose the flaws in a company's strategy or in its overall business model. When the pandemic struck in March, the tide rolled out and revealed a dangerous imbalance in the business models of some clubs. The crux of the issue is revenue mix, and lessons learned through the COVID-19 crisis suggest now is the time for clubs to evaluate, understand and adjust.

If you follow Club Benchmarking education, you've heard the emphatic message about the capital ledger being the club's primary financial driver and the operating ledger being the vehicle for delivering services and amenities to the members. Clubs typically set their operating ledger to break-even and rely on the margin from two streams of revenue to achieve that goal: Dues revenue (100% margin) and nondues revenue from both members and nonmembers (relatively low margin). The key to understanding the imbalance exposed by the pandemic and the threat it poses for your club is in that mix.

Without the aid of the Employee Retention Tax Credit and an adjustment to their operating model, most clubs would have incurred an operating loss in 2020, with clubs that entered the pandemic with an operating model biased towards nondues revenue suffering the greatest losses. The intent of this article is to illustrate the adjustments clubs must make to attain a break-even result from operations, which is critical because losses from operations carry over to the capital ledger. Every dollar lost from operations reduces a club's available capital, which is in turn used for investment in obligatory capital expenditures (repair and replacement), aspirational capital expenditures, reduction of debt and building capital reserves.

THE SHIFT

After the 2008-2009 recession, declining member counts weakened dues revenue, which put significant stress on operating budgets. Clubs that once proudly offered an exclusive, member-centric private club experience turned to weddings, banquets and outside tournaments (aka nondues revenue) to fill the gap. In addition, many well-intentioned

clubs attempted to drive membership growth by eliminating or reducing initiation fees and deferring dues increases—effectively trying to compete on price rather than the value delivered through a compelling member experience. Such decisions manifest very clearly in declining net worth (in real dollars) for half the industry since 2006. It was a dangerous shift away from their true mission—delivering an exceptional experience for their members—and many clubs came to rely on that outside activity to make up for operating shortfalls. In that scenario, the budget begins to dictate strategy, member experience suffers, and it becomes increasingly difficult to generate the money necessary to cover operating expenses.

The immediate consequences of that dependence on margin from nondues revenue came to light in mid-March when the activity that produced it came to a screeching halt. During the last nine months, less obvious repercussions have been revealed through an in-depth analysis of monthly and annual financial data aimed at quantifying the impact of COVID-19 in the club industry. Before diving into the findings of that research, it is important to know two key concepts: Leverage and the difference between dues revenue and margin from nondues revenue.

KEY CONCEPT: LEVERAGE

In business, financial leverage typically refers to the use of debt that is unforgiving and can cause great stress on business models if not used judiciously, particularly in times of adversity. Operating leverage typically refers to a business's mix of fixed and variable costs. Clubs are high fixed cost businesses. An enterprise with high fixed costs is considered operationally leveraged as incremental revenue above the fixed costs magnifies profits. When revenues shrink in an operationally leveraged business, like clubs, a high degree of fixed costs exposes the business to significant risk of uncontrollable loss.

In the private club industry, where member dues (50%), golf (13%) and food & beverage (32%) comprise about 95% of all revenue, operating leverage relates to the balance in that mix of dues and nondues revenue. While dues revenue is relatively fixed, nondues revenue is variable since it comes from less predictable activity including banquets, golf outings, guest room revenue and à la carte dining.

A club that is overly dependent on margin from nondues revenue to fund club operations is considered operationally leveraged and as such, more vulnerable to sudden setbacks like economic recession, catastrophic weather or the social and economic repercussions of a global pandemic. As many clubs learned this year, relying on marginal profit from variable sales to maintain balance on the operating ledger is a risky and unsustainable proposition.

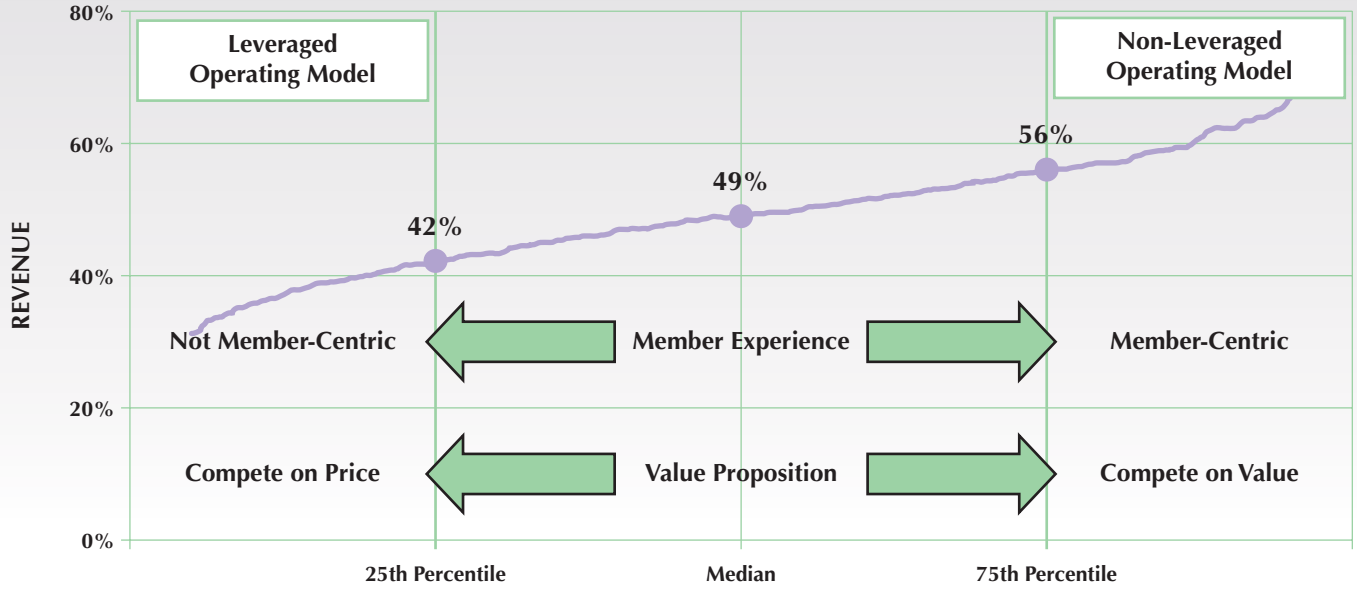
KEY CONCEPT: DUES REVENUE VS MARGIN FROM NONDUES REVENUE

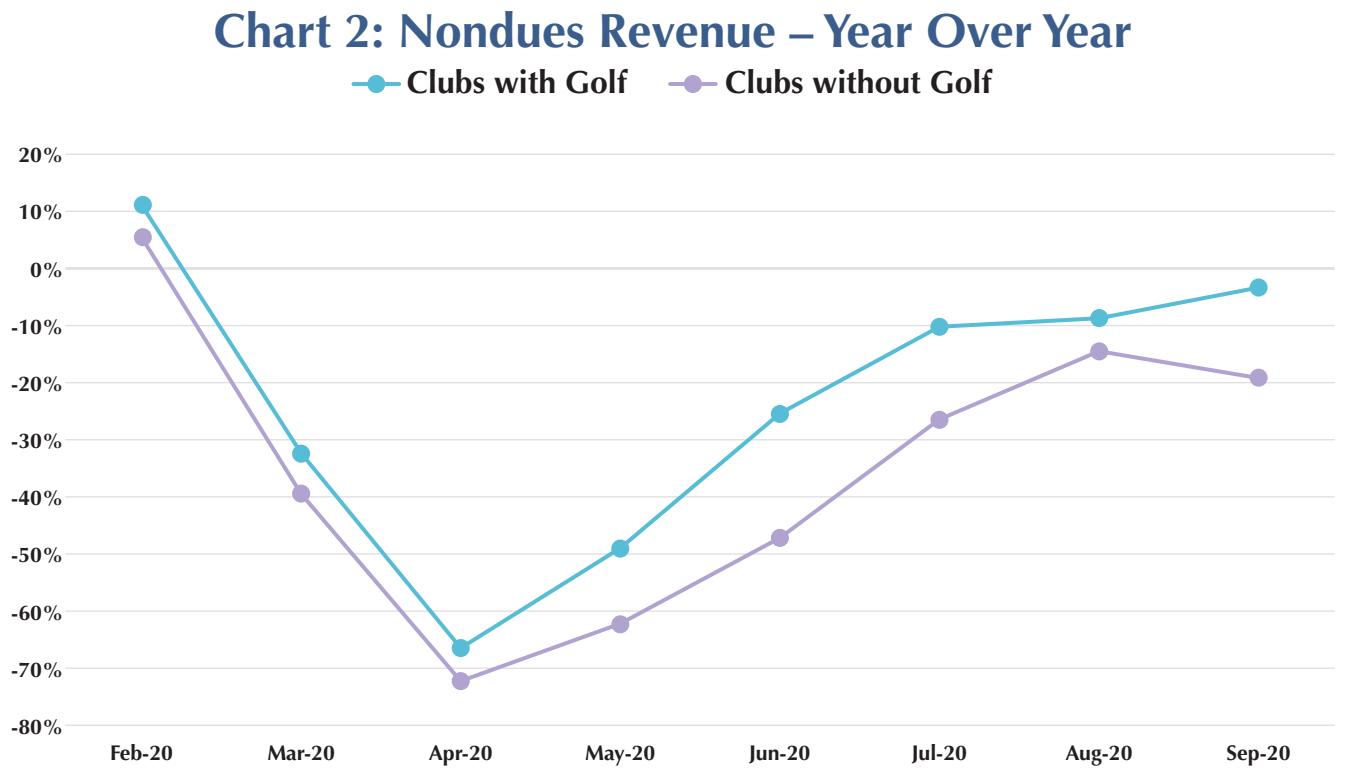
Clubs cover non-cost-of-goods-sold (COGS) expenses from a combination of two sources: dues revenue and margin from nondues revenue. The margin on dues revenue is 100% because there are no associated direct costs. Nondues revenue, on the other hand, comes at a cost. Nondues revenue covers COGS expense first, with only the margin remaining to cover non-COGS expenses.

Clubs with nonleveraged operating models are represented on the right side of Chart 1 below. These member-centric

Chart 1: Dues Ratio

Dues Revenue as a Percentage of Total Operating Revenue





clubs have dues ratios (member dues revenue divided by total operating revenue) greater than 56% and are by definition less reliant on margin from nondues revenue to support the club's fixed (non-COGS) costs. The quality of the member experience drives these clubs to make strategic decisions. Members have an "owner" mentality and willingly contribute capital for reinvestment in "their" club.

Conversely, clubs on the left side of Chart 1 are reliant on margin from nondues revenue to support the club's fixed costs. The member experience often suffers at these clubs and their members exhibit a "customer" mentality. The focus is often on chasing sources of income other than dues (banquets, golf outings) to support the club, rather than optimal number of members contributing the optimal amount of dues. The common denominator is that clubs are high fixed-cost businesses. Clubs either cover those costs from members or from margin on nondues revenue.

In the earliest months of the pandemic, while dues revenue stayed relatively stable, revenue from golf and food & beverage operations was wiped out virtually overnight. In March, Club Benchmarking reported a decline in year-over-year nondues revenue for clubs with golf of 32%. In April, the year-over-year decline was 66%. Clubs without golf saw a decline in nondues revenue of 39% in March and 72% in April. That group, which includes city and athletic clubs, was likely disproportionately affected when members who worked in offices in the city began working from home.

Faced with the reality that revenue from activities like banquets and golf outings would be gone for the foreseeable future, most clubs did a quick pivot to focus on delivering as much value as possible to their members, and the data in Chart 2 reflects those efforts. As seen in the chart above, nondues revenue for clubs with golf began a gradual rebound in May that has continued through September despite ongoing restrictions on indoor dining and large gatherings. Those clubs have likely benefitted from the introduction of innovative programming and increased member activity most notably in the form of the immense popularity of golf as a safe, socially distanced outdoor activity. Clubs without golf have not fared as well, with city clubs feeling the most significant impact on nondues revenue.

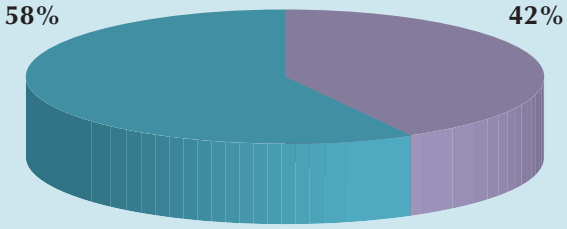
THE RESEARCH: WHY REVENUE MIX MATTERS

After several years of studying monthly trends in dues and nondues revenue with an intensified focus on that data since early this year, Club Benchmarking undertook a deeper analysis to look for patterns and to understand the significance of the revenue mix as it relates to impact of COVID-19.

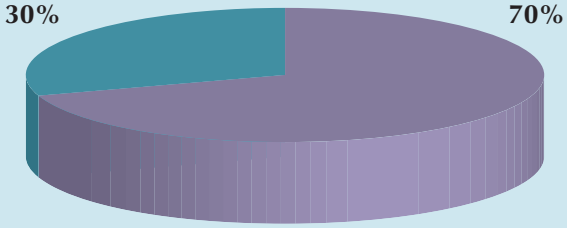
To understand how the amount of leverage in a club's business model entering the crisis affected outcomes, it is important to look at how clubs approach covering non-COGS expenses on two ends of the dues-ratio spectrum. For clubs in the upper quartile (dues ratio above 56%) the contribution to non-COGS expense coming from nondues revenue margin

Approach to Covering Non-COGS Expenses

Leveraged Model (Under 42% Dues Ratio)



Nonleveraged Model (Over 65% Dues Ratio)



Contribution from Nondues Revenue Margin
Contribution from Dues Subsidy

was 30% with the contribution from dues revenue at 70%. At the opposite end of the spectrum, clubs with a dues ratio below 42%, the contribution from nondues revenue margin was 58% and the contribution from dues was 42%.

In quantifying the impact of the shutdowns, we focused on losses of margin on nondues revenue associated with delivery of goods and services that fall outside the core member experience, i.e., banquets, weddings, golf outings and guest rooms. For perspective on margin lost during the pandemic, we put it in the context of percentage of full family dues per full member equivalent. At the median, percentage of lost margin per full member equivalent for clubs with a dues ratio above 56% was $725 per full member equivalent, meaning a 6% increase in the full family dues rate is required to achieve break-even net from operations. For clubs with a dues ratio below 42%, the impact was $1,148 per full member equivalent or a 24.2% required dues increase to achieve break-even operations.

TAKEAWAYS: OBVIOUS AND NOT-SO-OBVIOUS

What the data shows clearly is that clubs with a dues-centric business model that is focused on the member experience are better positioned to weather this crisis and others in the future because their revenue is more stable and predictable.

Less obvious are the long-term repercussions of a leveraged business model. Over time, an imbalance in the club's mix of operating revenue is a result of shifting away from a member-centric experience. That spills over onto the capital ledger because the capital ledger is supported by attracting and retaining the optimal number of members. Dues revenue, which by definition is member-centric, will be aligned with capital income from members joining (initiation fee income) and from members belonging (ongoing capital dues and possibly capital assessments). Nondues revenue has very little if any capital income associated with it (i.e., banquets are unlikely to produce sustainable capital income).

It is a strategic and unyielding focus on delivering a compelling member experience that drives both dues revenue and capital income. The member-centric and dues-centric business and financial model are central to clubs driving sustained financial success over time and ultimately growing the club's net worth over time.

When clubs allow leverage to creep into the business model, the cause may be as simple as having chosen the path of least resistance. Leverage in the form of banquets or golf outings is often an easier "sell" to the members than a dues increase, but the data shows this is not a sustainable position. Recent events present an opportunity to address the issue and make a course correction. Look forward with the vision to develop a compelling member experience that drives a member-centric, dues-centric and capital-centric financial model. Clubs can accept nondues and nonmember revenue, but they shouldn't build plans around it.

Safe Club Facilities

Necessary Changes to Protect Members and Staff

By William P. McMahon, Sr., AIA, OAA

With winter upon us and COVID-19 still here, (hopefully not for long), clubs must remain vigilant about the virus. Club facilities are still at risk for spreading sickness, especially indoors, so continue to take every precaution possible, such as wearing masks, washing hands and physical separation between people, which are still the recommended best practices to follow.

Let's take a look at the clubhouse to see where other health and safety improvements can be made, both immediate and for the long-term benefit of members and staff.

The physical layout of most clubhouses remains pretty much unchanged except for dining seating being properly spaced. Some clubhouses, especially in Florida's gated communities, are closed to members, keeping staff behind locked doors. It is assumed these buildings are too unsafe for use. Even when outdoor dining could be offered, any assembly of members, especially the older ones, are perceived as threatening.

How can clubhouses become safer for member and staff occupancy throughout the duration of this pandemic? And thereafter what is the new normal for clubhouse use?

Knowing that if a COVID-19 vaccine is effective and utilized across the entire country by late 2021, there will still be infectious and spreading threats as not everyone will get the vaccine and, most likely, 10% of our population will still be likely to contract the virus even with being vaccinated. This means a staggering 35 million people could contract the virus if they don't have a natural immunity. While the threat significantly declines, one in 10 Americans will still be potential COVID-19 carriers. Clubs still need to do something to make their clubhouses and interior spaces safer, no matter how many people get vaccinated.

SAFE SPACES

In trying to address this challenge in clubhouse safety, I am approaching it as an architect with years of experience in hospital design before I specialized in club facilities. In hospitals, contagious diseases and viruses are an everyday reality that are dealt with in all patient areas. While surface contamination is always a concern, airborne transfer of infection is the most difficult to control in operating rooms, radiology suites, emergency rooms and laboratories. The concern with disease/virus spreading is also very much a concern with food service, cooking, transporting, serving and retrieval of soiled dishes as well as properly handling all kinds of waste disposal. From the perspective of an architect experienced in both hospital and clubhouse design, the most opportune ways to improve clubhouse safety are as follows:

Ventilation in clubhouses, especially the grand, old ones is often poor with stagnant air, very few outdoor air

changes and few areas with proper negative pressure exists to suck out bad air. Many, if not all kitchens, have negative air ventilation hoods sucking in all dining room air basically through the kitchens, right over food being prepared for someone's meal. The HVAC systems in clubhouses need to be studied for increasing outside air changes to make indoor spaces safer. Kitchens need to be in positive air pressure and bringing in their own outside, make-up air to supply their cooking exhaust hoods.

Kitchen design needs to change to keep clean food going out to diners separated from soiled dishes coming back from completed meals.

Kitchen exhaust zones for scraping plates and dishwashing need to be isolated from prep, cooking and serving areas and be in negative air pressure.

Kitchens need to be kept super clean, wood counter tops and old wood walk-in refrigeration must be eliminated (yes, they still exist today) and the whole operational aspects of kitchens studied to identify facility changes to improve safety.

Separate clubhouse entrances and exits for members and staff should exist, though almost no clubs do this despite all safety program recommendations.

Restrooms and locker rooms are likely areas with close contact of people. Again, having more frequent air changes for heating and cooling is necessary. In older clubs many only have open windows for air changes. Not good, but better than nothing.

The lack of good ventilation can be addressed through a temporary solution as seen at clubs like the Westmoreland Club in Wilkes-Barre, Pa., which provides tent dining with the proper ventilation.

Expanding club outdoor dining to year-round usage can be achieved by adding sidewalls, heating/cooling, ventilation, etc., on covered outdoor patios. Clubs are also considering how to offer this expanded dining all year long, even after the COVID-19 period.

Fitness facilities need to be larger for more physical distance between machines, and again, more outdoor air changes are needed in these work-out areas.

Employee spaces for locker rooms, lunchrooms, restrooms and entrances need to get special attention for safety protection. Many employee locker rooms are primitive and ripe for transmission of the virus. There is no longer any excuse for unsafe employee facilities. Take a look at hospital employee spaces for ways to design them better for infection control.

There are many other ways to improve clubhouse design to improve member and staff safety. The above list is just a start. In addition to making physical changes to clubhouses, the communication and constant reminders to members and staff about safety precautions are just as important. Clubs can make all the physical building changes possible, but people still have to practice safety and good hygiene. It is the responsibility of boards and managers to improve building safety and to communicate the message, so members use their clubhouses properly.

On the Home Front

Pandemic Impact on Club Communities

By Jason Becker and Michael Timmerman

The Quarry Golf Club, Naples, Fla.

The pandemic has shaped the way we behave as consumers and experts believe the effects may continue for many years. One example, as noted in the macro perspective, is that residential real estate sales are making headlines as consumers flock from large, populated cities to more spacious suburbs, with many electing to move to a new state in the process.

This article explores data related to real estate trends and buyer sentiment for private club memberships. The analysis will focus on two distinct types of club communities:

Nonresidential Community Clubs (NRCC) includes gated and nongated communities that may offer lifestyle amenities but do not have a golf component. Community amenities are owned and maintained by an HOA.

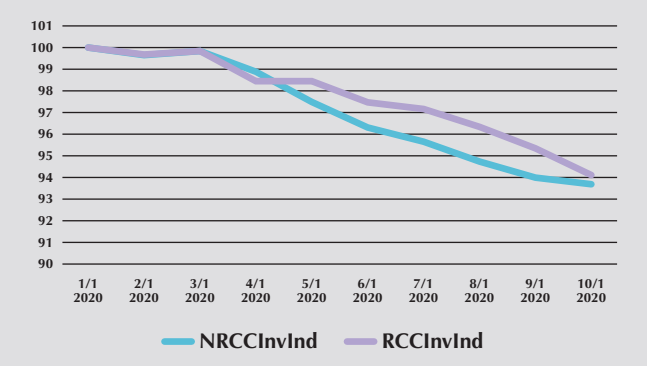
Residential Community Clubs (RCC) are self-contained, private gated communities that offer golf and other lifestyle amenities within the community. Membership may or may not be mandatory.

HOUSING INVENTORY

Chart 1 (right) reflects trends in residential real estate inventory since January in nonresidential (blue line) and residential (purple line) club communities in the Southwest Florida market including Naples and Ft. Myers. Trends are indexed to 100 to provide a normalized comparison between NRCC and RCC in this market. The data confirms a shortage of inventory in both community types. In a normally functioning market, inventory fluctuates each month by 2%. In 2020, the inventory fluxuation averaged 6% for NRCC and 5% for RCC in inventory. Since January 1, NRCC inventory is down 43% while RCC inventory is down 37%.

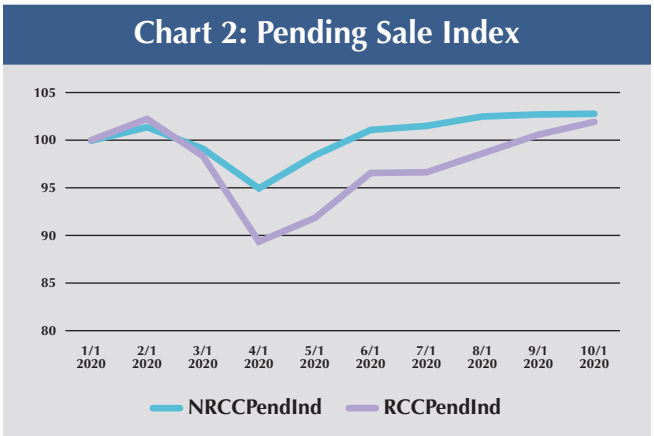
Interpretation: In early summer, the pandemic's impact was evident on both sides of the real estate equation, with potential sellers reluctant to put their homes on the market and buyers putting plans to move on hold. In June, a survey by Golf Life Navigators found that 79% of first-time club buyers in the Sunbelt planned to delay their search, citing COVID-19 and related economic uncertainty as the primary cause. In addition, 85% of multi-club buyers (those with at least one other membership already) delayed their search for the same reasons. With inventory tight, home prices climbed and stories circulated about consumers buying Sunbelt homes sight-unseen.

Chart 1: Inventory Index



PENDING SALES

In Chart 2 (page 23), a drop in pending sales in both categories in April was followed by a steady increase through November. Since July, the gap in pending sales has tightened with RCC outpacing sales in NRCC.



Interpretation: In October, Golf Life Navigators repeated their survey and a number of positive trends appeared that are supported by Club Benchmarking real estate data.

1. The number of first-time club buyers postponing their search has declined 15% since June. Only 71% of multi-club buyers are keeping their search on pause, down 14% from June.
2. Among buyers interested in living in a gated club community, 64% said they were now actively focused on purchasing a home—up 13% since June. The shift in sentiment suggests buyers are putting more value on safety, secure/controlled environments and the ability to be "in a bubble" with amenities available should another pandemic occur. "Golf and tennis are definitely on the rise, and living in a safe environment is the key to the buyers motivation," said Tim Bakels, CCM, CCE, general manager/COO of Colleton River Club in Bluffton, S.C.

SALES VOLUME

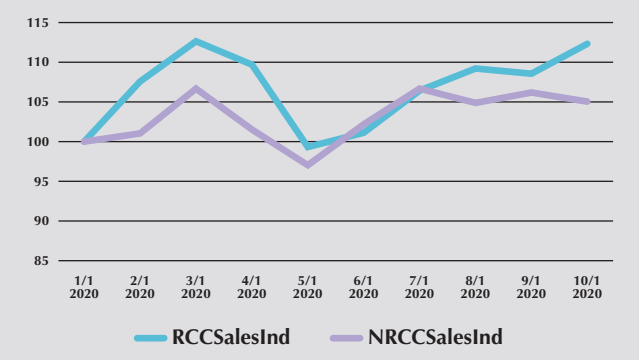
Chart 3 (page 24), shows changes in sales volume between the two community types. Since May, there is a steady increase in sales with RCC sales outpacing NRCC sales. Looking at pending sales as a leading indicator, we expect the trend to continue.

"Despite being closed for three months, we are having the second-best year in the past 12 years," said John Jorritsma, director of sales and marketing for The Club at Ibis in West Palm Beach, Fla. "Buyers fear a long winter lockdown and feel safer outdoors which is evident in the increased activity of all our outdoor activities. F&B activity has also increased due to the convenience of 'order-to-go meals.'"

On the west coast, Jeff Dekruif, assistant general manager and CFO of Blackhawk Country Club in Danville, Calif., reports similar results: "Demand for Blackhawk real estate has surged in response to the pandemic. Closed transactions are up 27% in 2020 with nearly a third of the year-to-date sales closed in September. We are experiencing a tremendous increase in demand from families looking to escape the hustle and bustle of San Francisco."

The Club at Ibis, West Palm Beach, Fla.

Chart 3: Sales Volume Index

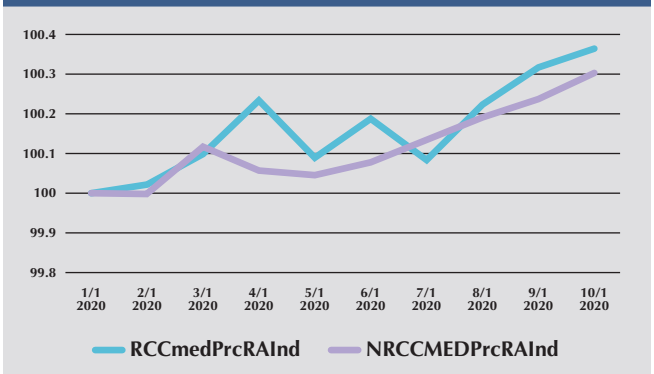


Says Dekruif, "They're drawn by the safe, gated lifestyle community with its own police substation, great schools, two championship golf courses, the largest tennis complex in Northern California, a state-of-the-art sports complex, and direct hiking access to Mt. Diablo. With seven food & beverage outlets, our residents know they don't have to leave the gates to enjoy quality experiences."

MEDIAN PRICE

Chart 4 (below) reflects changes in median price for both community types. Prices are rising due to high demand, limited inventory and the appeal of the South Florida market. The pricing index between the two community types has accelerated since July, with RCC pricing growing at a faster pace.

Chart 4: Median Price Index



Interpretation: It's a seller's market for homes in residential club communities. Golf Life Navigators' October data shows an increase in buyers combining their club and home search—up to 72% of all buyers in the marketplace. In addition, 88% of buyers plan to play more golf in the future (up 11% since June) and 38% of buyers plan to expedite their search/purchase, citing the following factors: low interest rates, growing market demand of club community homes, escaping large northern cities, moving to a tax-friendly state, and the ability to work remotely.

"Between the dynamics of our recently completed golf course and clubhouse renovations and consumers' motivations to move up their second home club and real estate decision, we have flourished," said Bob Radunz, general manager/COO of The Quarry Golf Club in Naples. "Club memberships and real estate sales are up, and we have increased our initiation fees with no resistance."

LOOKING AHEAD

2020 taught us a harsh lesson about predictions, but the data is compelling, and we are optimistic that the trends will continue into 2021. Clubs that fit the RCC or NRCC model should keep a close eye on the local real estate market, paying special attention to the condition of homes being sold in their community. Club leadership teams have an opportunity to focus on creating a value proposition that will capture and hold the attention of a new generation of members and residents.

Jason Becker is CEO of Golf Life Navigators and Michael Timmerman is chief market intelligence officer at Club Benchmarking.

Dye Clubhouse at Colleton River Club, Bluffton, S.C.

Photos courtesy of River Oaks Country Club

TRADITIONS REINVENTED

Relevance and Creativity Steered River Oaks Country Club through 2020

By Bridget Gorman Wendling

Words like *reimagined*, *modified*, *adapted* and *reinvented* pepper a recent lively conversation with COO and General Manager Joe Bendy, CCM, CCE, and Club Manager Casey Newman, CCM, of Houston's River Oaks Country Club (ROCC) about what life at the club looks like today. In the face of the pandemic, River Oaks has remained a staple in its approximately 1,650 members' lives and provided the much-needed outlet for activities, social events and, for lack of a better word, *normalcy*. Like so many other clubs, March 2020 marked the beginning of the new normal at River Oaks, but its members, leadership and 375 employees have remained committed to safely maintaining the vibrancy of this dynamic community.

Safely distanced workout bicycles.

At nearly a century old, River Oaks Country Club caters to an active membership with traditions that run deep. Amenities such as a 19-hole golf course, a seven-hole, par-3 short course, a four-bay state-of-the-art golf teaching center, 16 tennis courts where the club proudly hosts the U.S. Men's Clay Court Championship Tennis Tournament, as well as an active aquatics program, keep the members busy. Additionally, an active Women's Association, Women's and Men's Golf and Tennis Association tournaments, and an array of club- and member-sponsored social events round out a robust activity calendar.

Early in the pandemic, as regulations and mandates were emerging and changing frequently, the club leadership brainstormed how to best keep members and employees safe while providing the outstanding country club experience that defines ROCC's culture. With an early outbreak at the club, Bendy says transparent and frequent communication was imperative to quell any fears and instill confidence in the club's commitment to safety. They suspended production of the monthly *Oakleaf* newsletter and began emailing a semi-weekly *River Oaks Review Home Edition* to keep members aware of new protocols and inventive ways to interact at the club. While *Oakleaf* has resumed production, the club will continue to communicate via the Home Editions.

"At times, it felt as if we were opening a new club every single day. Government guidelines, caseload within our city and community, demands—and lack of demand—for certain club amenities and offerings … it all changed every day, at times, even over just a few hours," said Bendy. "All of this required constant and consistent communication between management teams, up to board level, across departments and down to staff level. We had to work together to cover more ground with less than ever before. The resilience and flexibility required challenged each of us, but in the end, has made us a stronger, more cohesive and efficient teams."

ROCC's more than 100,000-quare-foot main clubhouse has three dining rooms, a bar, two large banquet spaces for more than 1,000 people, four private dining rooms, and the "Wine Cellar," a members-only event space. These indoor venues experienced significant impacts with COVID-19 restrictions, and ROCC's banquet business, which comprised more than 40% of the club's revenue in recent years, shrank dramatically. Utilizing the fast-casual dining at "The Turn," expanding and extending the seasonal poolside dining at "The East End," and making more regular use of the spacious member lawn off the back of the clubhouse were instrumental in enabling members to enjoy the club's culinary offerings.

Gin & tonic to-go kit

Masked staff at ROCC

Bendy suggested that taking control during a time when so much is out of your control is empowering, and he is proud that "ROCC's board and management were able to look at our financial dashboard to make decisions *actively*, *not reactively*. Having a healthy understanding of the club's financial strategy gave us the confidence to make strategic decisions based on accurate, useful and timely information."

ROCC took advantage of the initial shutdown to do some disruptive maintenance, such as refinishing their floors and freshening some of the club's textiles. The shutdown was short-lived, and the team turned their focus on getting the members safely enjoying the club's amenities. The golf and tennis programs enjoyed record years, the modified youth camps were wildly popular, and the utilization of outdoor event spaces for both recreation and social events has become a part of the club culture that won't soon disappear. A newly created Summer Family Event Series brought members together for drive-in movies on the range, live music nights, glow golf and a course-wide scavenger hunt. These events will be incorporated into the club's annual calendar.

Casey Newman explained, "ROCC's history and club traditions are very important to our members. We felt we owed it to them to continue these traditions in the safest way possible. This required re-imagining almost every aspect of every event … from where it was located, to how food was served and how vendors and entertainment were incorporated. While it took a ton of time and creativity, what we were really posed with was an opportunity to breathe new life, to shift our focus towards the member experience, and to make things better than ever before. We've had an amazing six months of focusing on the reason we all love this business—providing exceptional experiences and curating special memories for the club's community, which is 5,000 strong."

The old adage, "Necessity is the mother invention" rings true at River Oaks Country Club: By using the opportunity the pandemic presented to become a more nimble staff, to cultivate creative and inventive ways to engage with their beloved membership, to fully utilize the club's campus, and to remain an integral facet of their members' lives, ROCC is poised to emerge with an arsenal of ideas and that can be integrated into the club's treasured culture for years to come.

COVID-19: A Remarkable Catalyst for Dynamic Change

THE HARVARD CLUB OF BOSTON

By Christian Coulter, CCM, ECM

Photos courtesy of the Harvard Club of Boston

For more than a century, venerable private clubs have served as a forum for people of similar interests to meet and mingle.

Since 1908, when Henry Lee Higginson and a group of 21 Harvard alumni formed the club, the Harvard Club of Boston has ensured the viability of this simple mission.

To sustain its stature as a landmark club, the Harvard Club of Boston has welcomed opportunities to recalibrate its mission in order to position itself as a coveted institution.

The private club industry has been no exception to the COVID-19 pandemic and subsequent economic crisis. Simultaneously, changing demographics and evolving lifestyles have nudged the private club industry to evolve. Contemporary memberships are diverse, complex and have different priorities than those from decades past. Nevertheless, the role of clubs is not waning. Rather, clubs such as the Harvard Club are adapting to the swirling events around them.

Recognizing that the Harvard Club's growth was stagnant and that the key to a club's success is the vibrancy of membership, General Manager Steve Cummings and the board began to consider potential changes.

The Harvard Club of Boston is formed around the ties of former students to Harvard University. The student population, and subsequent alumni network, has become increasingly diverse, as recently demonstrated with minorities making up the majority of Harvard's Class of 2021 for the first time in the school's 380-year history. These students are the target market for future members.

In light of such developments and while maintaining its tradition of excellence, the leadership of the Harvard Club sought to modernize its mission. Diversity, inclusion and equity have become the cornerstone of the Harvard Club's mission … all against the backdrop of a crippling global pandemic. (See sidebar on page 29.)

"The club is in a paradigm shift. Therefore, it is essential we redefine and realign strategies with the 'new normal.' The club

needs to realign to remain relevant during this crisis, while building credibility and influence amongst its evolving membership, and sustainability for the club," said Cummings.

With the core of the club's revenue stream reduced dramatically (i.e., declining dues, and declining fees from functions, guestrooms and parking), leadership at the Harvard Club leveraged member engagement to survive the pandemic. They increased digital engagement to deliver services to demonstrate the club's value to members. New amenities included virtual fitness sessions, virtual speaker series, take-out and curbside pickup and outdoor dining. The club even transformed function spaces into novel social-distance friendly work-from-anywhere areas.

An unexpected benefit of the pandemic, the "virtual club" tapped into a previously inaccessible market of Harvard alumni. Suddenly, fitness attendance tripled. More than 1,500 nonresident members engaged the club services at unprecedented rates with the new offerings. Members from around the world became part of the club community, albeit from miles away.

The meaning of a club membership transcended the four walls of the clubhouse. Evaluating their new mission, the club leadership knew that it should be more "outbound" than fully "inbound," to serve an expanded network of members.

Cummings has committed to imagining alternative ways to deliver value to existing members and to leverage new methods to attract potential new members.

Further, the club has also hired a data analyst to better understand membership demographics. The analyst uses data to identify potential locations for a satellite operation to enhance the member experience, whether that be a sports club in the suburbs or a pub in Harvard Square. According to the general manager, "nothing is off the table."

In a recent conversation with one of the Harvard Club board members, he asked the following:

1. Who is the most successful taxi company? Uber
2. Who is the most successful hotel company? Airbnb
3. Who is the most successful retailer? Amazon
4. What do they all have in common? They do not own taxis, hotels or retail space.

Is it possible for a club to be successful without a physical place to "meet and mingle?"

According to board member Andy Freed, "The face of Harvard has changed, and so must the club. We do not want to create a place; we want to create a sense of belonging," he said. "We want to attract the next generation of members not because of our dining and facilities, but because of who we are and what we stand for. The club must represent all alumni and articulate our values implicitly and explicitly."

The Harvard Club of Boston is transforming into a "member experience" business with an affirmation of who they are, energized with a new mission and values.

In the words of Jerry Garcia, "You do not merely want to be considered the best of the best. You want to be considered the only one that does what you do."

DIVERSITY, EQUITY & INCLUSION AFFIRMATION

The Harvard Club of Boston welcomes and honors all members, staff and guests
to a community that is safe, friendly, supportive and fulfilling.

We affirm the inherent worth of every person.
We are dedicated to applying the principles and practice of diversity, inclusion and equity in our mission, values, community standards as well as business and employment practices.

We are committed to fairness for all within our Club community.
Our commitment to equity is our aspiration without regard to race, nationality, ethnic background, religion, gender, family configuration, economic circumstances, difference in ability, culture, age, sexual orientation or identity.

We continually strive to realize a community of dignity and respect.
We aspire to be an exemplar regarding acceptance and appreciation of all. Anything less will not be tolerated.

We endeavor to be authentic in our quest for knowledge and open minded in our intellectual curiosity.
We encourage dialogue that encompasses a wide range of opinions and ideas to broaden perspectives, which inspires innovation and safeguards the pursuit of Veritas above all else.

The Harvard Club of Boston is a place that celebrates all who gather to experience the diverse company of educated people.
We are strengthened by the richness shared individually and collectively through inclusion, connectivity, and engagement throughout Harvard, our affiliated schools and neighboring communities.

MISSION

To be the social, intellectual, and athletic hub of Harvard alumni and our affiliated community in the Greater Boston area.

VALUES

We live VERITAS according to these values. We are:

Visionary
Our Club builds for tomorrow while treasuring the traditions of the past.

Excellent
We deliver an exceptional member experience for all.

Responsible
We value our members and treat their investment with the greatest of care.

Inclusive
We are a community where everyone belongs.

Transformational
We embrace a creative, innovative approach in everything we do.

Altruistic
We are generous in our support of Harvard students and our broader community.

Sustainable
We recognize the need to conserve and contribute to the world around us.

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"Outlook 2021: The Member-Centric Club"

Join us for an upcoming webinar on Thursday, February 18 at 1:00 pm eastern to hear from the Club Trends authors and to ask questions about topics covered in this issue.

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