

# ClubDirector

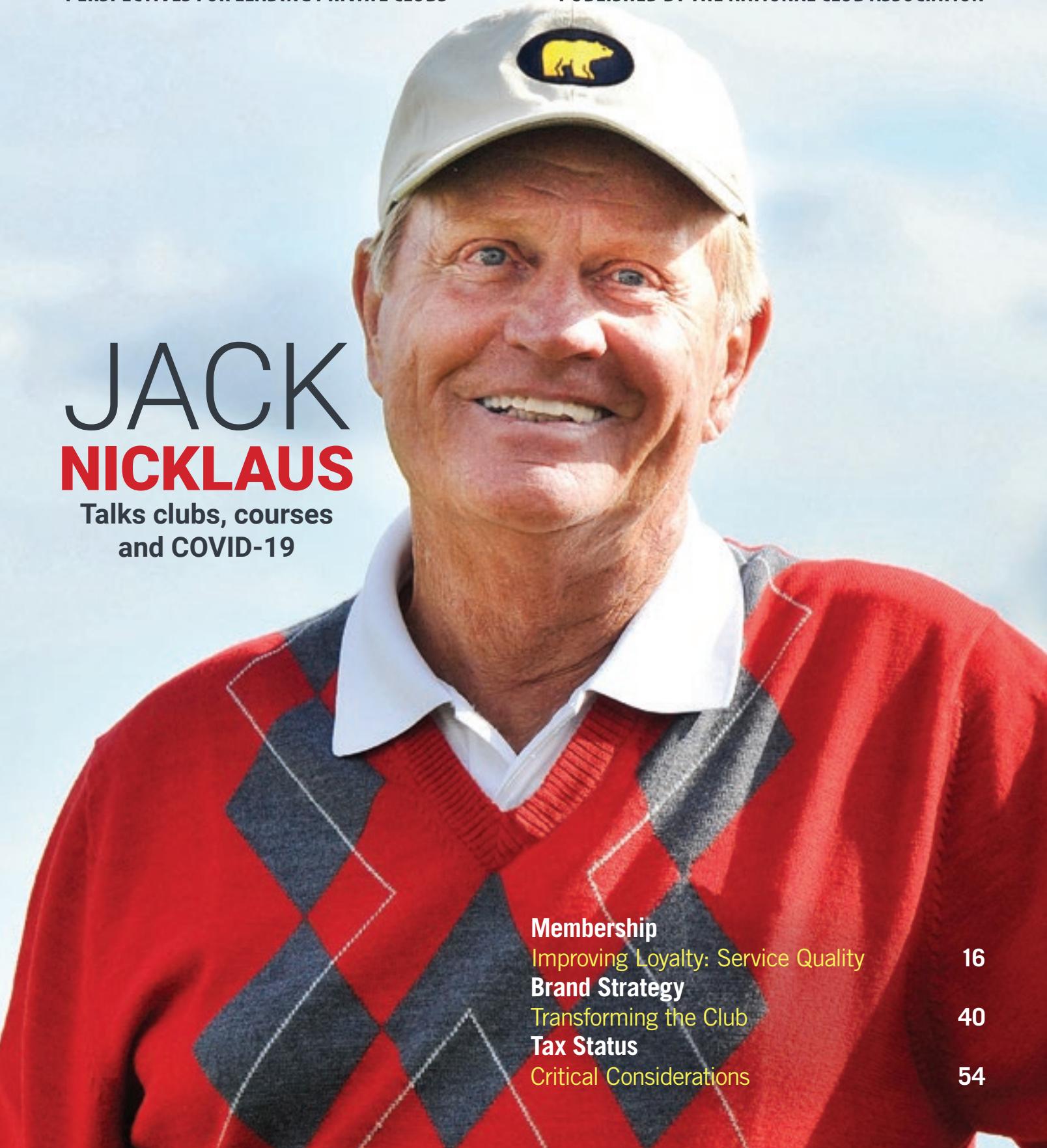
FALL 2020

PERSPECTIVES FOR LEADING PRIVATE CLUBS

PUBLISHED BY THE NATIONAL CLUB ASSOCIATION

## JACK NICKLAUS

Talks clubs, courses  
and COVID-19



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Improving Loyalty: Service Quality

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for key executive leadership positions by utilizing the expertise of the PGA of America's Career Services department and Senior Consultant, Michael Leemhuis, owner of Leemhuis Consult LLC.



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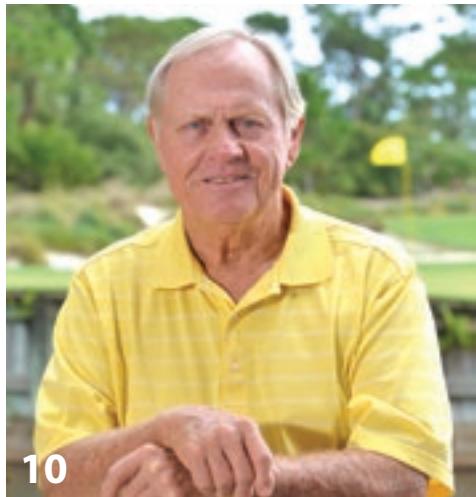
ClubDirector  
PERSPECTIVES FOR LEADING PRIVATE CLUBS

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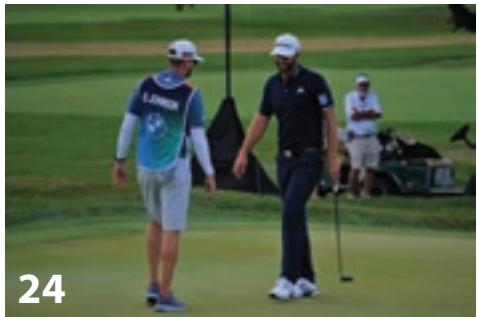
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# Politics and Religion

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**TWO THINGS** that we shouldn't talk about, right? Wrong. As Ryan Fournier profoundly said, “*Being taught to avoid talking about politics and religion has led to a lack of understanding of politics and religion. What we should have been taught is how to have a civil conversation about a difficult topic.*”

Political and religious conversations should and need to happen—but they shouldn't be about one person trying to convince another person. They should be about opening one's mind and learning about another's beliefs so that one can get a better understanding of others' thinking and build toward common ground.

Right now, we are in the most divisive political environment in generations. Instead of shouting at strangers because of a particular yard sign or a hat, or immediately dismissing an idea solely because it originated from an opposing political party, we should be listening to differing views and working to find commonality to deliver solutions that improve ourselves *and* our club community.

During the last 18 months, NCA and our political action committee ClubPAC, led by Vice President of Government Relations Joe Trauger, have engaged with both sides of the political aisle. It is extremely difficult to identify a candidate who supports 100% of our policy agenda, but through civil conversations we have identified many candidates who support at least part of our agenda—and for the first time in our history, we have supported Democrats and Republicans in an election cycle.

Trauger's article on page 6 walks you through the critical upcoming elections and the effects it could have on the private club community. As a policy-driven (not party-driven) organization, we look forward to working with Democrats and Republicans after the election as the voice of the private club industry.

And speaking of praying, the tenant of most major religions is that God exists. From this is a belief that we must help others (*love thy neighbor*). This is what ClubsHelp has truly become—an organization helping others. Born out of COVID-19 with one club helping one hospital,

ClubsHelp has transformed into a full-fledged charity benefiting private club communities. The article on page 34 details how ClubsHelp came to be, what is it doing and where it is headed. NCA was fortunate to be asked to be a supporter from the beginning, and we are thrilled to be a small part of its amazing efforts. If you or your club has the opportunity and ability to get involved in ClubsHelp, I strongly encourage you to do so. To see how much it has accomplished in such a short amount

of time has been remarkable and inspirational. It is a great example of how clubs and the private club community can make a substantial difference.

While not a religious figure (although you could make the point that he played like one on the golf course) nor a political figure (even though he is just the fourth person in history to receive the Presidential Medal of Freedom, the Congressional Gold Medal and the Lincoln Medal), we are honored to feature Jack Nicklaus in this issue. His Q&A on page 10 spells out his remarkable accomplishments on and off the golf course and gives you a deeper understanding of why he is a legend.

Henry Wallmeyer  
President & CEO

# When Clubs Go From Nice to Necessary

## A Golden Age for Clubs

**PRIVATE CLUBS** in the United States have provided a venue to commune since the late 19<sup>th</sup> century. At that time, captains of industry, and those who sought similar status, would join elite clubs. A Rockefeller, Roosevelt, Astor or Vanderbilt might be seen sharing a conversation at The Knickerbocker Club, while others might eavesdrop for some insight into their greatness. Clubs evolved throughout the 20<sup>th</sup> century and were organized by members to reflect the places they had “earned” and included the people they felt were their peers. It would be difficult to describe clubs as more than an aspirational purchase for members. Membership in a club was a *nice* enhancement to the life of a member, but was it considered necessary?

When we changed the calendar into a new millennium, we also began an ever-increasing reliance on personal technology. Many of us of a certain age (ahem) can still remember the purpose of a slide rule, with apologies to Paul Simon, and reading a book that was printed on paper. Personal technology has completely invaded the professional and personal lives of everyone. We cannot imagine life without Google, Excel or Word. Since March, our use of Amazon has bordered on an addiction. Managing our clubs has changed, also. I can remember a former employee who had such a prolific memory that she recognized the signature of every member of our club, all 1,000 of them, to confirm that a signed charge was authorized. This quaint imagery has given way to enterprise software, high-definition security cameras, online reservation apps, lightning detection systems and electric vehicle charging stations. Who among us can remember wagging a driver to see

if we wanted to buy it? Today, would we buy a club without custom fitting on a launch monitor?

The more nostalgic we become, the more technology changes the world. Some would argue it is better; some would say it is worse. No matter the opinion, clubs must invest in technology simply to keep current with the rest of the world. Data mining and analysis and data-based decisions are common practices in club management. Better information has allowed clubs to customize their amenities and activities to better serve their current or potential members.

Progressive clubs have recognized the need to expand the variety of club offerings to create a financially healthier club. They have also recognized that in a technologically advanced world, clubs have become *necessary*. While this might seem hyperbolic, it is based in science.

Humans are social animals. For hundreds of thousands of years we have craved social interaction. At first, our desire to be with other humans determined our survival. Hunter-gatherers learned that they could be more successful and safer when they foraged or hunted in groups rather than on their own. Later, traders settled in towns that were centered around places of worship, which were places where people could gather, much like a club. The advent of the industrial revolution led to the growth of cities which, in turn, led to the creation of coffee houses and taverns. People need to be with people. Today, China has more than 100 cities with more than 1 million people and billions of people live within a short flight of each other. However, worldwide population density has not resulted in greater social interaction. Despite being physically closer to each other, we now rely

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**Progressive clubs have recognized the need to expand the variety of club offerings to create a financially healthier club.**

on texts, email and other electronic forms of communication as a proxy for social interaction. Today, our social capital is depleting as we utilize technology instead of being with one another. Yet, the need to be with other humans is part of our DNA. If the worst punishment is solitary confinement, then what must be the best reward?

We are entering a Golden Age for clubs. The march of technology will not abate and the need to be physically present with others won't change. Our industry is quickly moving from being a nice thing to being a necessary thing. Successful clubs will plan for social interactions and physical spaces that go well beyond special dinners, member-guest tournaments and fitness facilities. Many articles have been written about the need to accommodate younger members and their reliance on technology. Perhaps we also need to consider the entire membership and their psychological need to be physically present with each other. Clubs are ideally suited to make the leap from nice to necessary. **CD**



**Ken Donovan** is the president and a trustee of Fiddler's Elbow Country Club in Bedminster, N.J. He can be reached at [kdonovan@fiddlerselbowcc.com](mailto:kdonovan@fiddlerselbowcc.com).

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# Election 2020 Analysis

## *What it could mean for Clubs if Democrats Take Control*

**EVERY TWO YEARS** as the November elections near, or every four for presidential elections, political and policy wonks not only look at the races to see whether Democrats or Republicans are likely to control the House, Senate and White House, but also begin looking at what changes in policy approaches we're likely to see based on potential results. This year, it appears very unlikely Republicans will gain a majority in the House of Representatives and it's possible they could lose the majority in the Senate. As I write this column in early October, betting odds are favoring a Biden-Harris win at 75%. Looking at one scenario, what would it mean in terms of policy if Democrats were able to take control of the White House, Senate and retain the House? For this, I went to the Democratic National Committee (DNC) to look at their platform as well as legislation the House passed in 2019 and 2020 to see how it would affect clubs.

### Labor Policy

One of the issue areas where we could see the most dramatic changes is in labor policy. Now, some of these items are policies most people agree need to be looked at seriously. Raising the minimum wage is a good example. It has been more than 11 years since the federal minimum wage was increased. To put it in context, we are now at the longest period between increases since the minimum wage was adopted in 1938. Typically, the minimum wage has been increased at an interval of five to seven years, but again the last increase was 11 years ago in 2009. Many states have already taken steps to increase their minimum wage to \$15 over time, so there is clearly momentum for an increase—and we are historically overdue. The National Club Association (NCA) opposed legislation in the House during the summer of

2019 that would have increased the wage to \$15. The opposition to the legislation was not necessarily over an increase, but the size of the increase and the ability of small businesses and clubs to absorb it in such a short time frame, particularly in less populated regions that typically have a lower cost of living.

Another area many people agree needs a serious look is paid leave. There are many proposals to address paid leave, including one from President Trump's own daughter, Ivanka, which resulted in paid family and medical leave for federal employees for the first time. The big question surrounding this issue is financing and who pays what share of the cost. The Democratic National Committee platform sets a goal of a minimum of 12 weeks of paid family and medical leave and undefined paid sick leave requirements within the COVID-19 section of the document.

After these two issues, the labor policy agenda gets a bit more contentious with policies supporting card check union organizing, secondary boycotts, repealing state right-to-work laws and other policies that the business community has generally opposed. There would also be a marked shift at the regulatory agencies to reexamine Trump-era labor regulations in much the same way the Obama Administration revised Bush-era policy. This type of pendulum swinging has become somewhat normal over the last 20-30 years, but no matter which way it swings, there are disruptions and uncertainty along the way.

### Environmental Policy

On environmental issues, the biggest contrast we would see is a refocus on climate change and regulatory activity. I expect a wholesale review of all Trump-era regulations, but a few areas will likely have the most impact on the club community. Reg-

ulations and restrictions on pesticides and fertilizer use are mentioned in the DNC platform and there have been efforts in legislatures and the courts to restrict some chemicals routinely used by golf courses. In addition, the Environmental Protection Agency's Waters of the United States regulation that went into effect on June 22, 2020, is also likely to be revisited in some form. Finally, the DNC platform sets a goal to reach net-zero greenhouse gas emissions for all new buildings by 2030. This could have an impact on renovations and expansions being planned by clubs in the years ahead.

### Tax and Health Care

Tax policy is another area where we could/would see dramatic shifts in governing policy. The 2017 tax bill was never very popular with Democrats and its repeal is often cited as a source of funding for other priorities. Health care policy will take a turn to include robust efforts to firmly establish a public option under the Affordable Care Act (ACA) Marketplaces, allowing direct government negotiations for prescription drug prices, eliminating caps on subsidies for ACA plans and ensuring no one pays more than 8.5% of their income on premiums.

Time will tell whether this scenario will come to pass, but it is that time of year when I start considering the impact of the outcome of an election that hasn't been decided yet. No matter the results of the elections, NCA will be engaged with policymakers on both sides of the aisle as these issues work through the process. CD



**Joe Trauger** is NCA's vice president of government relations. He can be reached at 202-684-8753 or [trauger@nationalclub.org](mailto:trauger@nationalclub.org).



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# Evaluating Your Board's Performance

## *How's the Board Doing? Grading the Board*

**IT WAS NEW YORK MAYOR** Ed Koch, who served from 1978 to 1989, asking the man-on-the-street New Yorkers the endless question, "How'm I doing?"

Many performance scientists warn that such clumsy tactics are ineffective and unreliable. In addition, there is no measurement in Hizzoner's approach. If you wish to see your board perform at a higher and more admirable level, take a professional approach to board performance evaluation.

Three keys to improving board performance in your club are: 1) educate all board members to the premise that the board deliberates as many and governs as one; 2) all board discussions should be treated with the utmost confidentiality and discretion; and 3) board members will evaluate one another through consistent peer review.

In 2018 Steve Klemash, Rani Doyle and Jamie C. Smith posted the following critical factors for effective board evaluation in the EY Center for Board Matters at the Harvard Law School Forum on Corporate Governance:

- Focusing director introspection on actual board, committee and director performance compared to agreed-upon board, committee and director performance goals, objectives and requirements.
- Eliciting valuable and candid feedback from each board member, without attribution if appropriate, about board dynamics, operations, structure, performance and composition.
- Reaching board agreement on action items and corresponding timelines to address issues observed in the evaluation process.
- Holding the board accountable for regularly reviewing the implementation of evaluation-related action items, meas-

uring results against agreed-upon goals and expectations, and adjusting actions in real-time to meet evaluation goals and objectives.

Private club members expect their servant leaders to function like corporate boards. The Harvard study revealed that 40% of Fortune 100 proxy filers disclosed the general topics covered by the evaluation. These disclosures typically focus on core board duties and responsibilities and oversight functions, such as:

- Strategy, risk and financial performance
- Board composition and structure
- Company integrity, reputation and culture
- Management performance and succession planning

About 40% of Fortune 100 proxy filers disclosed use of questionnaires in their evaluation process, with 15% disclosing use of only questionnaires and 25% disclosing use of both questionnaires and interviews.

For a private club, a 360-degree peer evaluation of fellow board members should ask the following questions concerning board meeting performance:

1. Was our meeting productive?
2. Did we follow the agenda in a business-like manner?
3. Did everyone have the opportunity to speak and be heard?
4. Was our conduct respectful toward one another?
5. Were committee reports well prepared and presented?
6. Did all board members participate?
7. Are all members honoring the board's commitment to confidentiality?

The board should be conducting a self-evaluation after each board meeting

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**Although many members of the club's board possess a depth of experience in corporate and community leadership with board service, there is no substitute for diligent dialogue and self-evaluation.**

with a mind to continuous improvement. Although many members of the club's board possess a depth of experience in corporate and community leadership with board service, there is no substitute for diligent dialogue and self-evaluation.

Unlike the face-to-face impact of direct feedback Mayor Koch sought, the productive and reliable measurement of board effectiveness is regular self-evaluation. Simple tools like Survey Monkey are effective, timely and cost-efficient. The National Club Association offers a plethora of board leadership resources on their website [nationalclub.org](http://nationalclub.org). 



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By Phillip G. Mike

An  
Interview  
With

# JACK NICK

Clubs,  
Courses and  
COVID-19

Golf legend Jack Nicklaus' career is now entering an eighth decade—marked by a fearless resolve and an ability to evolve, notably into a post-playing career leading one of the most successful golf course design firms in the world, Nicklaus Design. The National Club Association recently interviewed The Golden Bear to discuss the current golf landscape amid the coronavirus pandemic, the couple's successful battle with the disease and the merits of great private clubs.



# NICKLAUS

Photos courtesy of  
Jim Mandeville /  
Nicklaus Companies



## COVID-19

**Q.** The entire golf and club community was extremely grateful to hear that both you and Barbara successfully recovered from your COVID-19 diagnoses. What was the experience like? Is there anything you'd like to share with the golf and club community about the disease?

**JACK:** I think Barbara and I feel very blessed. With both of us being 80 and in a higher-risk age group, we were very fortunate in our experience. We self-quarantined as early as March 12, and yet Barbara and I both tested positive. Barbara was asymptomatic, and my symptoms were short-lived and relatively minor. Sadly, there are more than 200,000 people who were not quite as fortunate as we, and who lost their lives due to COVID-19. Our hearts and continued prayers go out to the families of those lost to this virus.

We both have been tested numerous times since, and we also have the antibodies. Theoretically, we are not supposed to be able to get it or give it. So that does provide some level of comfort and confidence. Again, we were very fortunate in our particular experience with coronavirus and feel great today, but it did show us how quickly and how easily someone can contract the virus. So, we can't emphasize enough that everyone should continue to follow the advice of healthcare officials.

## CLUBS

**Q.** You have been involved with the private club community for decades, what's your view on the future of private clubs?

**JACK:** Yes, I have been involved with private clubs for many years, but I have also been involved in a lot of public facilities, too. I believe roughly 90% or more of the golf played in the United States is played on public courses. So we need to keep in mind how important public-access golf is to the industry.

From those I have spoken to in the industry, private clubs have rebounded very well from being shut down during the pandemic. They have also learned through this experience, and have adopted options in management and operations that will only make them healthier in the future.

I do see more and more high-end public golf and “destination golf” coming on. I say that because there are so many options for transportation—better transportation—and people can get to distant or remote places easier. To offer variety in golf experiences, and to have public access to many of them, is important. I believe public golf will probably get stronger as time goes on and that's great.

You are always going to have private clubs, and that experience and offering are very important. It's where people really enjoy bonding and having fun together. It's as much a social experience as a golf experience.

**Q.** What makes for a good club?

**JACK:** For me, I like to look at one thing, and I think what makes a good club is being a “yes” club. If someone asks or wants something, and if it is possible, we try to get it for them. We try to say yes, whenever possible. At clubs where I have some level of say, we try to make sure we take care of everybody.

The singular most important mission for a club is to service the membership. That has always been our philosophy.

**Q:** In your involvement at Muirfield Village Golf Club and/or The Bear's Club, you have always listened to the members and what is most important to them.

**JACK:** That's true. I also think you have to keep up with the Joneses. When you see things happening at different places and those aspects or amenities become important to a membership, you need to be willing to add different things. For example, we have added Fitness Centers at both The Bear's Club and Muirfield Village.

I am heavily involved with Castle Pines in Colorado. Castle Pines has just added all those things. They are very much a “yes” club. I think people like to walk into a club and if they run into a staff member, feel comfortable voicing a request: “Do you think it's

possible to get this done for me?" and the answer should always be, "Yes sir, I would be happy to get that done."

**Q:** Being a member of a private club is a privilege many do not get to enjoy. Does it come with some responsibilities of which we should all be cognizant?

**JACK:** Anything and everything in this life come with a responsibility—and in the case of a private club, the responsibility of making sure that you treat people the right way, handle it the proper way, respect others, and always be aware and hold important the fact that there are other members, not just yourself.

# GOLF

**Q.** Nicklaus Design is a true leader in golf course design, with more than 425 courses in over 45 countries and numerous legendary links among them. You have been involved in some 310 of those designs. In your designs, what features do you focus in on to make a good golf experience for all levels of players? What about other amenities?

**JACK:** I believe strongly in variety; creating something aesthetically pleasing; integrating good strategy and good golf shots; making certain what you design fits the land; and always making certain what you design fits and services the purpose of the owner. You need to listen to your charge and try to fulfil that.

The 7th hole at Jack Nicklaus Signature Course Cochise at Desert Mountain.



**Q.** What are your thoughts on how to make the game more accessible and private clubs more diverse and inclusive?

**JACK:** You have to have an open-door policy. It begins at the top with club leadership. I've always believed in diversity. Back in 1974, when we opened Muirfield Village Golf Club, I wanted the membership to have every race, creed, nationality, etc. represented, and we made certain to do that with our first 10 members. I wanted to ensure that Muirfield Village did not shut out anybody. That was back 45–50 years ago, and I have never changed my mind since. I want our clubs and this game to include every walk of life.

Another issue in accessibility is cost. If we can keep the cost of the game down—from course maintenance to the expenses passed on to the consumer—we can make the game more accessible and user friendly.

**Q:** What are other amenities that help make for a great experience?

**JACK:** I think it depends on what your membership wants. It all depends on what you are trying to accomplish with that particular club. You need to offer and deliver what your members and your clients want.

**Q.** With courses reopened since the COVID-19 shutdown, we are seeing a resurgence and tremendous numbers related to rounds played. Are there any trends that you see emerging or continuing?

**JACK:** Years ago, it used to be about getting a golf course—a good golf course. Today, it's about trying to get the best-conditioned golf course. And the best service. And the best amenities.



Hole 12 at Jack Nicklaus-designed Muirfield Village Golf Club.

Clubs are competing for people's attention and their dollar, and I think you need to have the best facility that you can have.

Also, I believe in clubs and courses, and our game, constantly trying to reinvent itself to bring in more people, and, perhaps more important, keep people in the game. I think you should offer a lot of things to do at the club, and ways to play the game. We have had 12-hole golf; 8-inch or larger cups; and more recently, I have encouraged and advocated "Doubles Golf," which is basically a two-person, 9-hole scramble, where you play against other teams using a handicapping system to make the matches even. That represents most of the competitive golf I play these days. But we need to continue to try all kind of things to create variety and bring people into the game of golf and keep them there, and not have them be intimidated by the game. Because it is a difficult game, we need to make sure they come in, are comfortable and enjoy their experience.

**Q.** Muirfield hosted back-to-back PGA TOUR tournaments this year. Most courses have a difficult time maintaining conditions for one. How did that come to be and how did your team do it?

**JACK:** The John Deere Classic was forced to cancel due to COVID-19, and that was being played the week before our Memorial Tournament—rather the dates of our re-scheduled Memorial. The PGA TOUR still wanted to schedule an event in that window, and they needed a place for the other tournament. They asked us if there was any possibility that we would host two weeks in a row, and we said yes, we will do that. It's good for the game of golf, and if we can be there for the game and the PGA TOUR, we wanted to step up and help. Workday stepped in to sponsor the tournament, and we had a nice event. We set up the golf course differently than

we would for the Memorial Tournament—using different tees, so we didn't have all the divots in the same place; different green speeds; different pins; different rough height. We had some rain during the Workday. The rough was short to start with, and the rough grew because of the rain for the Memorial. The greens were about 11½ for the first tournament, and 13—trending to 14—for the Memorial Tournament. I think we handled it as well as could be hoped for or expected. It was a burden on the membership, but we have a special membership at Muirfield Village Golf Club and they are always quick to help out the game of golf. It was a hardship of sorts on our club and tournament staff, but they all loved it and they were the ones that wanted to do it from the get-go. I certainly would not have done it were it not for our staff, their enthusiasm and their energy. They did a great job and I was very proud.

## PERSONAL

**Q.** You are the only sports figure—and just the fourth person in history—to receive the Presidential Medal of Freedom, the Congressional Gold Medal, and the Lincoln Medal. President George W. Bush presented you the Presidential Medal of Freedom in 2005 and fellow Ohioan, Speaker John Boehner, presented you the Congressional Gold Medal in 2015. Then, in 2018, with Vice President Pence and First Lady Melania Trump to each side of you and Barbara, Marie Osmond presented you the Lincoln Medal. How does it feel to receive such honors from our country's leaders and some of the most influential people in the nation?



Nicklaus receiving the Presidential Medal of Freedom from President George W. Bush.



Nicklaus with longtime friend and fellow golf legend Arnold Palmer.

**JACK:** It's pretty special, and I was truly honored and humbled each time. I don't know how some country bumkin from Ohio did enough to deserve such recognition. I guess I had good guidance from my parents and my wife Barbara.

**Q.** You've played golf with Presidents, Senators, Representatives and many other public figures, what's your view on the importance of civic engagement?

**JACK:** It's hard to get people to be involved in civic life today, because sadly, we are so divided. It's very difficult, yet I think it remains very important. I see the job that our leaders do and their hard work, and it doesn't matter whether you are a Republican or a Democrat, as long as you are not radical. I think both sides have their views, and each has philosophies that are good and that I respect. I basically have been a Republican all my life, but I've voted for many Democrats. I have a lot of liberal causes that I like. But I also like free enterprise; I like our military; I like our police force; and I like the entrepreneurial system that we have and that is the backbone of our country. I like competition. To be successful in this country, you have to be competitive and you have to work hard. That's what has made America great and continues to make it great. That's what makes America, well, America.

**Q.** The sports and golf community lost an icon in 2016 when Arnold Palmer passed away. He was so much more than that to you and Barbara. In the years since his passing, what were the moments you missed him the most intensely?

**JACK:** Arnold and I were always competitive, no matter what we did, and it was like that our whole adult lives. But also, because we were competitive, we kidded each other, needled each other. Our wives were the best of friends. We spent a lot of social time together, as well as time together on the golf course. Recently, we celebrated what would have been Arnold's 91<sup>st</sup> birthday, and I said something about how much I missed my calls to him every year to wish him a happy birthday, and with each year that passed, it was less and less about golf, and more about life. I just miss him. He was a great guy and a great friend.

**Q.** NCA has asked public figures what their dream foursome would be and asked them to include a Democrat, Republican and a nonprofessional golfer. Who would complete your foursome and why?

**JACK:** There is one Republican I have not played golf with who I would like to play golf with, and that is, George W. Bush. I have played with President Trump, and I enjoyed that. I've played golf with George H. W. Bush; and I played golf with Bill Clinton. I played golf on both sides of the aisle, you might say. I would have to include George W. Bush, and I have played a lot of golf with Bill Clinton and I still enjoy playing golf with Bill Clinton.

To be perfectly honest, my ideal foursome would be a fivesome, and it would be my four boys. But since you asked the question, I probably would pick Jack Lucks as the one non-professional. Jack and I went to Ohio State together, and he and his wife Cherie are two of our closest friends in the world. We have done so many things together and created so many great memories. Jack is a wonderful guy and he is certainly *not* a professional golfer. **CD**

# *How to Improve* Member Loyalty at Your Club

**SERVICE QUALITY: WHAT IS IT AND HOW DO YOU MEASURE IT?**

By Fredrick "Chuck" Meitner, PhD & SoJung Lee, PhD



This is the third and final article on member loyalty based on a research partnership between the National Club Association and researchers at Iowa State University. If you've read the first two articles in this series, you already know that member loyalty is arguably the most important aspect of your job. In the previous two issues of *Club Director*, we looked at loyalty to identify factors that perhaps have been overlooked. In the first article, we showed that reinforcing a member's sense of ownership can lead to greater loyalty levels. We also showed that loyalty is increased when members actively think about the social benefits of their membership.

The second article examined loyalty in greater detail and showed that loyalty consisted of both what a member thinks about their club and how often they actually frequent their club. Both aspects are subject to different influences. The second article took a detailed examination of how members build attachment toward their club and how each aspect ultimately leads to loyalty. We showed that satisfaction is the primary driver of loyalty and fundamentals are most important to service.

In this article, we will discuss service quality—the primary driver of satisfaction. The topic of service quality in private clubs poses several challenges. First, how do we define what it is? Service quality is one of those concepts where everyone interprets it a little differently. Unless that challenge is addressed, we cannot measure it and hence, we have no way to mark improvements. This article describes how we developed a tool that measures service quality while incorporating these varying opinions. Second, clubs are unique not only because members' needs are different from those of restaurant or hotel guests, clubs are unique to each other. Some clubs have golf courses, some have pools, and some have tennis courts while other clubs have none of these.

Although a measurement tool that is specific to every club would undoubtedly be most accurate, development and implementation would be impractical. Instead, we identified those

## Sample Demographics and Member Profile Information

- Six clubs were surveyed between November 2019 and January 2020.
- Clubs were located in the Midwest and East Coast. Four clubs were member-owned and two were owner-owned. All six had either a 9- or 18-hole golf course.
- Member ages ranged from 25 to 70+ years of age. Median age was 59.
- Approximately half (52%) of members had a master's degree or higher.
- The majority of members earned at least \$250,000 per year.
- Membership types ranged from full-golf privileges with voting rights, to social privileges only with no voting rights.
- Median membership length was nine years with 34% being a member of their club for five years or less.

service quality factors that are common to most clubs. These items were then grouped according to what aspect of service quality they target. These service quality aspects then inform your improvement decisions that are unique to your club. Finally, it is self-evident that to understand how members view service quality, their input should be sought. Unfortunately, current service quality research largely excludes member input because many clubs are hesitant to allow data collection. Surveying members is often seen as an intrusion. If this research partnership has one strength, it is that the data was sourced from members themselves and is therefore more accurate.

## Overview: Service Quality

In the late 1980s, three researchers set out to discover the most basic aspects of service quality regardless of what type of industry was in question. They studied banking, automobile repair, phone companies, credit card providers, and several other industries. In general, they found that service quality involved

five different aspects: reliability, assurance, tangibles, empathy, and responsiveness. They called their model SERVQUAL. Over the next 40 years, researchers have refined the SERVQUAL model to better fit individual service industries. Models have been developed for restaurants, theme parks, hospitals, websites, and many others but until now, a model specific to the private club industry has never been developed. We named our model "CLUBSERV."

**Reliability:** Regardless of industry, customers consistently list reliability at or near the top in terms of importance. Customers want to know that the service they'll receive this time is just as good or better than the service they received last time. The reason is a simple math equation. Satisfaction is essentially the difference between expectation and experience. When the service received is superior to what was expected, the customer is satisfied. The converse is also true. A customer's expectation is derived from their

previous service encounters. Thus, if a customer received good service last time, they will expect it this time. When that expectation is not met, poor satisfaction is the result. However, if they received poor service last time, their current expectation is also lower and the difference results in higher satisfaction.

**Assurance:** Assurance pertains to the confidence that the service quality will be high. Research has shown that when customers are not confident that they will receive good service, they report lower levels of satisfaction regardless of the actual level provided. When a customer is apprehensive, they cannot enjoy the service even if it is otherwise flawless. It is important that the customer feel at ease for good service to be recognized. Customers can be reassured by something as simple as a smile; a smile conveys friendliness and says to the customer, “nothing is wrong, I have everything under control.” Assurance also encompasses staff knowledge and training. For example, when the dining room server is well trained on the menu, the guest will trust that the meal will go smoothly and will then focus on enjoying the experience.

**Tangibles:** This describes the aspects of service that can be seen or touched. For example, when a member walks through their club they can enjoy the art on the walls or feel the comfortable furniture when they sit down. Tangible items are important for two reasons. First, certain tangible factors contribute to overall service quality. For example, an employee uniform that is unkempt detracts from the overall experience. Second, the other aspects of service are intangible which makes potential members risk-averse to joining. A potential member cannot “test drive” assurance, reliability, and so forth so they will look to the tangible aspects as predictors of potential service quality. Have you ever driven into a club that had weeds in the landscape or cobwebs in the porte cochere? Do you instantly make some sort of inference about the service quality you’re about to receive? Potential members do the same thing.

**Empathy:** This has been described as the caring and individualized attention that is paid to a customer. For example, is the server friendly? Is the club open when *you* need it to be? Does the staff remember your name and your preferences? Do they make you feel important? In industries characterized by a high level of personal interaction (e.g., healthcare, hospitality, education, etc.), empathy is extremely important. Not only does empathy involve the niceties of polite society (warmth, smile, eye contact), it also includes the degree to which the customer’s needs are considered. The classic example is banks. Once upon a time, banks closed before most people could visit. Once they realized that longer hours provided better service, banks began closing later and opening on the weekends.

## Service Quality Dimensions

- **Reliability:** The consistency of the service being provided.
- **Assurance:** The degree to which the customer is confident that the company or employee will satisfy their need.
- **Tangibles:** The physical equipment, buildings, staff uniforms, etc.
- **Empathy:** The personalized, individual attention paid to the customer.
- **Responsiveness:** The willingness, speed, and “lack of hassle” with which the service is provided.

## *Satisfaction is essentially the difference between expectation and experience.*

**Responsiveness:** In short, responsiveness means “lack of hassle.” Great service should not be a bother for the customer. Phone trees, employees who cite “policy,” and being put on hold, are things that are extremely frustrating to customers. In the same way that service that lacks empathy makes the members feel unimportant, a club that is unresponsive makes them feel like they do not matter as well. Members want to feel valued. Your members are spending a tremendous amount of money at the club. Furthermore, the longer a member has to wait to spend money at the club, the more chances they have to spend that money elsewhere. Make it as easy as possible for members to use the club.

## CLUBSERV Development

We began by compiling an exhaustive list of every item that described service quality in private clubs. We consulted industry trade journals, academic literature, and informal discussions with club members and professionals. We then categorized these potential items by club area. We included items on dining, landscape, golf (including pro shop, course and tournament management), aquatics, and so forth. Our preliminary list was nearly 200 items long. Obviously this was too many to be useful, but it gave us a starting point and allowed us to fine tune and clarify the list.

We then consulted a panel of club experts of various types. We had club board and committee members, rank & file members, club consultants, senior club managers and middle managers from several

## CLUBSERV

*A service quality measurement tool specific to the private club industry*

### RELIABILITY

- The sports staff run competitions/tournaments in a well-organized manner.
- The sports staff completes my repair work (e.g. restringing, racquet restrung, etc.) by the time they promised.
- Appointments (e.g. dining reservation, tee time, court time, lesson, massage, guest room, etc.) are ready at the time promised.

### ASSURANCE

- The staff instills confidence in me that they can provide proper service.
- The staff is always polite and friendly (e.g. always smiling, always saying "hello/goodbye").
- The dining staff is trained to adjust their service to match the purpose of the dining experience.
- The dining staff knows the menu and other offerings

### TANGIBLES

- The club's facilities (e.g., clubhouse décor, restaurant dining areas, sports areas, etc.) matches the overall theme of the club.
- The club's furnishings are visually appealing (i.e., artwork is attractive, furniture looks inviting, etc.).
- The club's ambiance (e.g., light, background music, temperature, etc.) is pleasing.
- The club has different types of restaurants (e.g., fine dining, halfway house, snack bar, etc.) to give me a variety of dining options.
- The club is spacious enough to allow me to relax without feeling crowded.

### EMPATHY

- The staff remembers my preferences.
- The staff anticipates my needs.
- The staff always uses my name.

### RESPONSIVENESS

- The staff is willing to help me if I have a problem.
- The club provides me with information in a timely manner.
- The club makes it easy to find answers to my questions.
- The staff collaborates with other departments to provide service in a timely manner.
- The staff has enough time to provide the service I expect.

venerable clubs. We asked them to assess each item as to how well it described service quality. We also asked them to identify any items that were unclear and to suggest wording improvements and/or new items that they felt were needed. We repeated this process several times until there was a general consensus as to what items were most important. Then the items were classified into the five SERVQUAL dimensions discussed above. To simplify the list without severely limiting their accuracy, items which were similar across several departments were combined. For example, the items "the golf staff run tournaments . . ." and "the tennis staff run tournaments . . ." was combined to "the sports staff run tournaments . . .". We ended with nearly 70 items that our panel agreed did a good job of describing service quality.

Again, a list of 70 items was too long to be useful in practice. Furthermore, while we were confident in the list's accuracy, it was still only the opinion of a relatively small group of experts. Next, we asked a large group of actual club members to rate our list of 70 items. Based on their answers and some statistical analysis, we removed items that had too much disagreement among the members. We were left with 27 items which had widespread agreement. That list was given to a new group of members to confirm its accuracy. The confirmation revealed 20 items that accurately described service quality within private clubs (see sidebar). This was our final measurement tool—CLUBSERV.

You may be looking at the CLUBSERV list and thinking to yourself, "What about \_\_\_, isn't that important?" Indeed, there are many aspects of service quality and a list of 20 items is far from exhaustive. Remember, we began the process with a list of nearly 200 items which was quite literally, everything we could think of. However, the purpose of CLUBSERV is to define as closely as possible what service quality means and to do so as efficiently as possible. CLUBSERV captures 87.8% of what our sample group collectively defined as service quality—and with only 20 items. In other words, another item may measure a distinct aspect of service quality more closely but there would be measurement gaps elsewhere. Adding more items would capture more of what service quality means but the survey would be longer and only marginally more accurate. These 20 items provide the most parsimonious measurement tool currently available.

***CLUBSERV captures 87.8%  
of what our sample group  
collectively defined as service  
quality—and with only 20 items.***

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***With the few items listed here, you can easily measure service quality and be confident that you're actually measuring what you think you are.***

### How to Use the Findings

So, what does this mean? First, you now have a simple tool to measure service quality at your club. Your members can complete a 20-item survey in less than five minutes. This is far less intrusive than bombarding your members with a long survey that frankly may not be as accurate. The entire process of developing CLUBSERV was focused on being able to quickly and accurately measure a concept that defies measurement. We consulted industry experts to guide us but ultimately, our results are the aggregate definitions of hundreds of club members themselves. With the few items listed here, you can easily measure service quality and be confident that you're actually measuring what you think you are. That is, what does a member consider service quality.

Second, CLUBSERV is a consistent measurement tool meaning the accuracy of your results will not vary a great deal from one survey to the next. This allows you to create benchmarks and track improvements over time. It is important to examine trends over time rather than individual movements. Average scores can vary slightly from one month to the next due to simple randomness but over time these minor variations will even out, and you can assess how member opinions are changing.

Third, this tool allows you to identify which aspects of service quality are strongest and weakest in your club. Rather than looking at each item itself, concentrate on the average scores of each dimension (reliability, assurance, tangibles, empathy, and responsiveness). This will indicate where you should concentrate your attention. For example, if the three reliability items show consistently high scores you can be confident that your members believe the club is providing reliable service in general. On the other hand, if the four assurance items average lower than desired it would suggest a potential weakness. You would then want to focus on improving member confidence. Perhaps improving training programs is needed or maybe it is something as simple as reminding your staff to smile more. By maximizing

your strengths and improving your weaknesses, ultimately your service quality reports will improve.

There was one final point that most experts and members seemed to agree upon: the importance of getting the fundamentals right. This was made abundantly clear. Throughout the process participants consistently rated items related to service fundamentals as highly important to service quality. Items which might be considered "nice to have" scored much lower in importance and there was a much greater disagreement among participants. We were forced to remove these items because they did not get to the heart of service quality. Certainly, these unexpected touches are important when differentiating between great service and that which is truly superlative, but they are unimportant if the basics are not met. Getting mints with the check at the end of dinner may be a nice idea that a member might not expect. It might even improve their rating from highly satisfied up into the truly delighted range. But if the server was impolite taking the order, the best mints in the world will do nothing to make that member more satisfied.

This brings us to the third and final paper to come from this study. We wish to acknowledge the National Club Association for their generous support with data collection without which this study would not have been possible. We look forward to future partnerships as well. We would also like to thank the anonymous clubs and their members for their time in completing the surveys. 

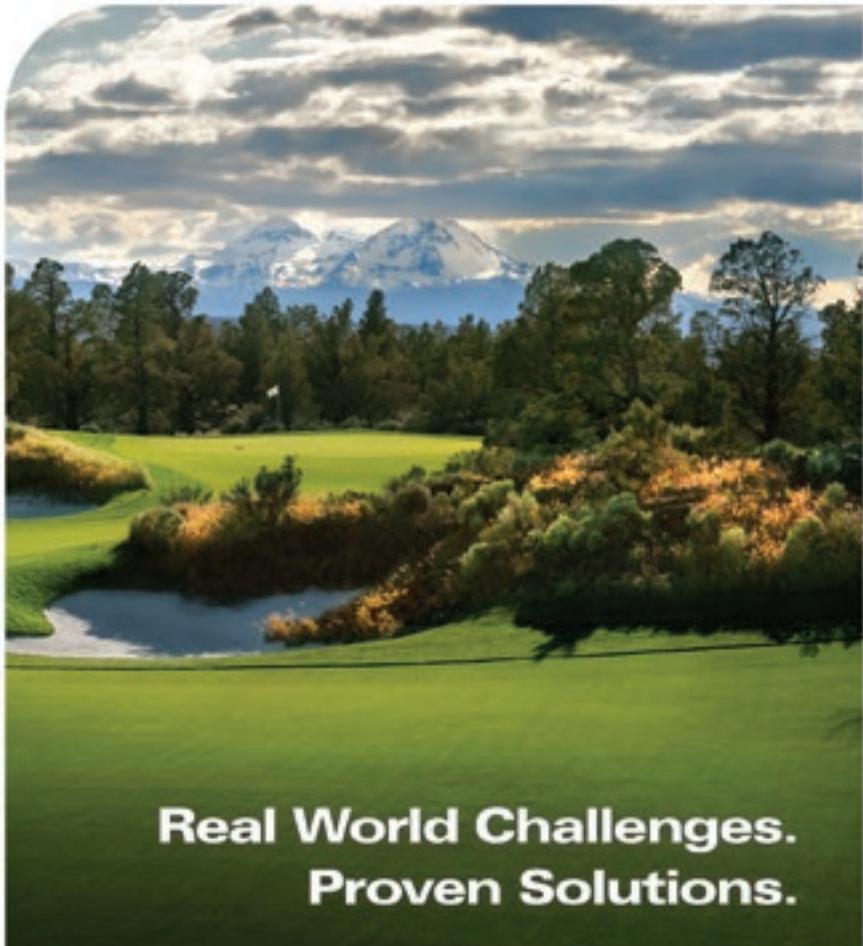
**Webinar:** On Thursday, November 12, at 2:00 p.m. ET, the National Club Association will host a webinar with Dr. Fredrick "Chuck" Meitner and Dr. SoJung Lee to present the member loyalty research findings covered in *Club Director*. Visit [nationalclub.org](http://nationalclub.org) to register.

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**Dr. SoJung Lee** is an Associate Professor in the Apparel, Events, and Hospitality Management Department at Iowa State University. Her research focuses on consumer behaviors in pop-culture tourism, club industry, rural tourism, and sustainable tourism from psychological perspectives. Her current research projects include clubs' environmental sustainability and members' psychological and sociological behaviors. She can be reached at [sjlee@iastate.edu](mailto:sjlee@iastate.edu).



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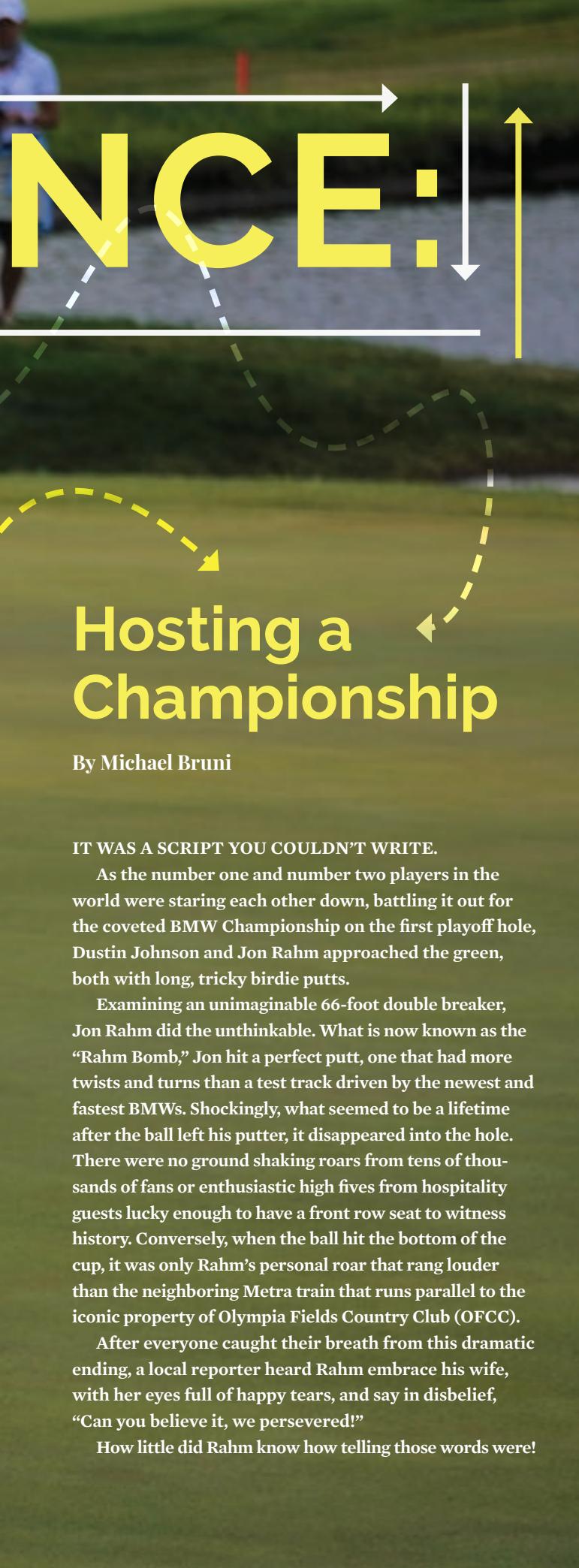
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Jon Rahm hits a 66-foot putt to  
win the BMW Championship.



## Hosting a Championship

By Michael Bruni

### IT WAS A SCRIPT YOU COULDN'T WRITE.

As the number one and number two players in the world were staring each other down, battling it out for the coveted BMW Championship on the first playoff hole, Dustin Johnson and Jon Rahm approached the green, both with long, tricky birdie putts.

Examining an unimaginable 66-foot double breaker, Jon Rahm did the unthinkable. What is now known as the "Rahm Bomb," Jon hit a perfect putt, one that had more twists and turns than a test track driven by the newest and fastest BMWs. Shockingly, what seemed to be a lifetime after the ball left his putter, it disappeared into the hole. There were no ground shaking roars from tens of thousands of fans or enthusiastic high fives from hospitality guests lucky enough to have a front row seat to witness history. Conversely, when the ball hit the bottom of the cup, it was only Rahm's personal roar that rang louder than the neighboring Metra train that runs parallel to the iconic property of Olympia Fields Country Club (OFCC).

After everyone caught their breath from this dramatic ending, a local reporter heard Rahm embrace his wife, with her eyes full of happy tears, and say in disbelief, "Can you believe it, we persevered!"

How little did Rahm know how telling those words were!

### Planning

Just 20 months earlier, in late December 2018, a press release was about ready to be sent. There was a buzz in the Olympia Fields Clubhouse as board members and OFCC leadership knew what was about ready to hit the airwaves. Just around lunch time it became official:

"The 2020 BMW Championship was coming back to Olympia Fields Country Club!"

As preparations were put into high gear, all the traditional components associated with hosting a Championship of this magnitude began. There was a sense of pride and excitement that was palpable. There was an infectious buzz among the community and Olympia Fields members were thrilled to be back on the international golf stage. The community embraced the news with a collaborative spirit felt by everyone involved.

When 2020 officially arrived, hospitality numbers were tracking—even exceeding—expectations. Course preparations were falling into place, applications for volunteers were being received from throughout the country and excitement around Olympia Fields Country Club, including the entire south suburbs of Chicago was at an all-time high. In mid-February, local legislators and educators met to finalize infrastructure requirements, parking was secured, and members of Rascal Flatts were confirmed to perform at the pro-am pairing party. It was all coming together and everyone was in lock-step to provide a first-class experience, consistent with the brand of the Championship's long-time and impressive title sponsor, BMW.

Thirty days later, the world changed.

### Adapting

The first reports of coronavirus started to hit the airwaves just as an update report was being prepared for the Olympia Fields Country Club board of directors. As the positive momentum was being shared, the coronavirus remained a bit of an unknown. The reports created concern and confusion, but it was unfathomable to think this virus would impact a golf tournament in late August. That would quickly change.

Within a few days, closures began throughout the country and rumblings of a stay at home order were being discussed. Then the unthinkable happened—March Madness was cancelled and shortly thereafter the NBA, NHL as well as the PGA TOUR cancelled their events. The world came to a stand-still. While distracted by the current realities presented by COVID-19, the 2020 BMW Championship was considered too far in the future to be impacted significantly—grounds tickets were still selling and inquiries from interested volunteers continued from around the country. We were nervous for our neighbors, our loved ones, our friends, but optimistic that this was going to be short-lived and we were going to move forward, assuming the world would be back to normal quickly.



BMW Championship winner Jon Rahm with Mike Bruni.



Tiger Woods watches Bubba Watson tee off. Below: OFCC Volunteers take a quick break during the BMW Championship.



That didn't happen.

The cancellations and quarantine continued, and reports of the deadliness and severity of the virus grew at a frantic pace; this was not going away. The world was in the middle of a full-blown pandemic and much to the dismay of all involved, we had to accept that the BMW Championship was in jeopardy.

Daily, if not hourly, the phone would ring and questions would be asked about the future of the BMW Championship. One interested party said, well, after all, "it is just a golf tournament."

The truth is, the BMW Championship, like so many golf tournaments, is actually much more than that. Thanks to BMW and the Western Golf Association, the BMW Championship raises significant dollars for the Evans Scholarship, one of the most generous and impactful scholarships available to deserving young men and women caddies throughout the country. Communities nationwide rely on Championship golf for the philanthropic impact they bring. The BMW Championship doesn't just provide a platform for the 70 top players to compete in the FedExCup Playoffs or highlight cars that drive exceptionally well, it's an important and driving force for young scholars, their families and most importantly, their future.

## Playing

The 2020 BMW Championship had to persevere. As long as golf was being played, there wasn't a choice. Given the courage and leadership displayed by the PGA TOUR and its executives, golf would be played during the pandemic, other TOUR events were scheduled, the FedExCup Playoffs were on and the BMW Championship was a go!

On Thursday of Championship week, the winds were howling. The greens were fast and firm and complete focus was required by the players. On the tee box of the 6th hole, a dicey downhill par three, Jon Rahm, the man who would ultimately persevere, was reeling from his bogey on the previous hole and pulled his tee

Thanks to BMW and the Western Golf Association, the BMW Championship raises significant dollars for the Evans Scholarship, one of the most generous and impactful scholarships available to deserving young men and women caddies throughout the country.

shot to the left, greenside bunker. Things weren't looking good for Rahm. He was on pace to shooting a 5 over 75, putting him seven shots behind the leaders. He was frustrated enough that for a split second, those who were on that 6th tee box almost saw him crack his iron across his knee.

COVID-19 was our wind. It blew us in directions we didn't expect, wreaked havoc in countless ways and was equally frustrating given the chaos it created during the planning process. Just as the players had to adapt to surprisingly difficult conditions on the course, so did the planning team leading up to the Championship.

It required focus and perseverance.

Vince Pellegrino of the Western Golf Association led the effort. His unwavering leadership kept the focus on the Evans Scholar—the reason why the Championship exists in the first place. An Evans Scholar himself, Pellegrino knew the Championship's impact. PGA TOUR representative Stephen Cox and his team diligently worked with Olympia Fields Superintendent Sam McKenzie and his team to ensure the golf course was prepared to shine.

When that last, magical putt fell and we all looked at each other with amazement, it was clear not only did Rahm persevere the test put in front of him but so did Western Golf Associa-

COVID-19 created a Championship that nobody envisioned, but in many ways, it brought out the best in everyone and in the end, a Champion was crowned but lives were also impacted.



tion, the PGA TOUR, BMW and Olympia Fields Country Club. COVID-19 created a Championship that nobody envisioned, but in many ways, it brought out the best in everyone and in the end, a Champion was crowned but lives were also impacted.

Rahm was correct when he embraced his wife Kelley, "we persevered." **CD**

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PART THREE IN A SERIES  
ON CLUB PHILANTHROPY

# Concepts, Caveats and Case Studies





By Kevin F. Reilly, JD, CPA, CGM  
and Larry J. Absheer, MBA

**A**s discussed in the first article in this series, many clubs have established or are beginning to consider establishing a club-related foundation. The impetus for creating a foundation may be a member's interest in making a substantial contribution (and receiving a tax deduction), a desire to garner donations for various worthy purposes, or an interest in pursuing charitable activities that complement the primary mission of the club.

In this third article in *Club Director's Philanthropy in Clubs* series, we take a more in-depth look into foundations, including best practices, mistakes to avoid, and what is involved in successfully managing a foundation. Three case studies highlight what can go wrong and include the key takeaways to be learned from each example.



## CLUB-RELATED FOUNDATIONS

### Understanding Foundations

A foundation is a nonprofit legal entity just like a private club, but there are important differences. While a club is typically a nonprofit 501(c)(7) organization, a foundation is a nonprofit 501(c)(3) organization, which means that it is a charity. As a charity, the foundation must receive public support and serve the public interest.

Public support means financial contributions—and, the contributions must come from a relatively large number of donors rather than from just a few. It is important to note that public support may be from members, nonmembers or corporations.

Public interest means that the activities and the expenditures of the foundation benefit the public in some way. Any private benefit, such as to the club or its members, must be incidental and insubstantial. For example, a foundation established to preserve an historic building on the National Register, which happens to be owned and occupied by the club, spends money to preserve the infrastructure of the club. The foundation's expenditures are made in furtherance of its IRS-approved mission even though the club and its members benefit incidentally. Any non-incidental or substantial benefit to the club or its members would constitute private inurement, which is prohibited and could cause the foundation to forfeit its tax-exempt status.

### Advantages of Establishing a Foundation

The primary advantages of a foundation have to do with the tax deductibility of donations for the donor. Gifts to the foundation during the donor's lifetime are deductible for income tax purposes. Gifts to the foundation after the donor's death are deductible for estate tax purposes if the donor's estate is in excess of \$11.58 million (the current exemption level). Also, a foundation can offer certain tax-favored opportunities to donors, such as charitable gift annuities. Because of the tax advantages, donors as a general rule tend to be more inclined to contribute cash, securities and other assets to the foundation as opposed to making those contributions to the club. However, some clubs have decided against establishing a foundation because many of their members have indicated a willingness to support the club with donations for various special needs and projects even though they do not receive a tax deduction for donations made to the club.

### Disadvantages of Establishing a Foundation

Though the tax advantages may provide an attractive incentive to prospective donors, the club must weigh the various administrative and regulatory requirements that it must deal with in establishing and maintaining the foundation, which is a separate legal entity that must be conscientiously managed indefinitely. The management responsibility for a foundation can sometimes become cloudy, i.e., who is primarily responsible for managing the foundation? The club general manager? The club controller? The foundation board? Ideally there will be good cooperation but there is turnover with all of these, and this can result in management lapses that can have adverse con-

### Best Practices for Club-Related Foundations

- The foundation should have its own board of directors, separate from the club board.
- The foundation must have its own set of books and its own checking account.
- The foundation should have its own legal counsel, not the club's legal counsel.
- The foundation should have regular board meetings with minutes taken.
- The foundation should reimburse the club for any club staff time spent on foundation administrative or other activities.
- The foundation should keep detailed records of all donations and donors and be meticulous in providing accurate tax receipts to donors in conformity with IRS regulations.
- Since fund-raising will likely be the revenue-generating engine for the foundation, it needs to be clearly understood who is responsible for fund-raising on a project-specific basis and on an on-going basis.

### Avoiding Mistakes with a Club-Related Foundation: What NOT to Do

- Do not take liberties when spending the foundation's money; every expenditure should be consistent with the IRS-approved mission of the foundation.
- Avoid private inurement in all the foundation's activities and expenditures.
- Never commingle foundation funds with the funds of the club.
- Be very cautious about transferring club assets to the foundation; once in the foundation, the club will not be able to get them back.

**Any non-incidental or substantial benefit to the club or its members would constitute private inurement, which is prohibited and could cause the foundation to forfeit its tax-exempt status.**

sequences. These factors are important and must be weighed before a decision is made to establish a foundation.

Another consideration will be initial and ongoing costs associated with having a foundation. For example, there will be legal fees associated with setting up the corporation and developing the articles of incorporation and the by-laws, as well as costs associated with annual tax returns and other filings, and the costs of annual audits by a CPA firm. Foundation funds can be used to pay these costs, but they do consume resources that could otherwise be spent on other things.

## Case Studies: Things Can Go Wrong with Foundations

Three case studies are presented to illustrate some of the pitfalls of not maintaining strong adherence and oversight to the legal and fiduciary requirements of foundations.

### CASE STUDY #1

ABC Club owns and occupies an historic building that was placed on the National Register of Historic Places by the U.S. Department of the Interior. The club's legal counsel submitted Form 1023 to the Internal Revenue Service and received approval for the newly formed ABC Preservation Foundation to engage in restoration of the

building's infrastructure. Club members enthusiastically responded to a fund-raising campaign by the foundation, orchestrated by the new club president who told members that they could receive tax deductions for their contributions and the money would be used to remodel the club's casual grill, which was badly in need of an upgrade including new furniture. Even though the club's controller warned the general manager that such a remodel probably would not fit the definition of "infrastructure," the money was raised by the foundation and the remodel was undertaken. The president's view was that "we will never be audited." Unfortunately, the IRS did come knocking and disallowed the expenditure and other transactions that in their view were outside the defined scope of the previously approved Form 1023. The foundation had to spend many thousands of dollars (which it had to borrow from the club) in legal and accounting fees on this matter, which is still on appeal with the IRS.

### Key Takeaways:

- It is best to use specialized legal counsel in preparing Form 1023 when applying for tax-exempt status from the IRS.
- Do not assume that your club or a club-related foundation will never be audited.
- In making expenditures of foundation funds, always stay within the bright lines of compliance with the IRS-approved mission.



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## CLUB-RELATED FOUNDATIONS

### CASE STUDY #2

XYZ Club's general manager hired a new controller recommended by one of the board members. The controller had many years of experience with a local construction company that had recently gone out of business. The controller knew nothing about club accounting or tax issues, let alone foundations. When the controller asked to attend a seminar about nonprofit organizations, he was not allowed to go because the cost was not in the budget. The controller was hired in December and the club and its XYZ foundation both had November 30 year ends. During January, the controller was scrambling to close the year and get prepared for the audit. Unfortunately, January 31 came and went and the tax receipt letters to the foundation's donors were not issued. Club staff was inundated with phone calls from members and nonmembers regarding their tax receipt letters. In March a notice was received from the state indicating that the foundation was being administratively dissolved because the requisite nonprofit annual registration filings had not been made for the last two years. The controller resigned in April.

#### **Key Takeaways:**

- Many financial executives enter the club industry having little or no experience with nonprofit organizations, including clubs and foundations. To set such executives up for success, the club must make sure they are provided the education they need on a continuing basis.
- Compliance with federal, state and local regulations and timely filings are critically important.
- Note that you should be concerned about regulations not only in the state where the foundation is established but also in any state in which you solicit contributions.
- Turnover in key positions in a club can disrupt operations and undermine compliance efforts.

### CASE STUDY #3

PDQ Club established the PDQ Art Foundation several years ago. The foundation's board was populated with members who had a strong interest in art but knew little about foundations. The foundation was successful in garnering both contributions of art and cash contributions. Prior to establishing the foundation, the club had received several paintings as donations, a few of which needed restoration. The club's new Finance Chair, upon realizing that the foundation had accumulated thousands of dollars, decided that the money should be spent on restoring the club's art. Her statement was that "this is the reason we set up the art foundation." Against the advice of the general manager and the controller that such an expenditure would constitute private inurement, the club's paintings were restored using art foundation funds. Two years later the IRS performed a routine audit of PDQ Club and dur-

ing that process became aware of the PDQ Art Foundation. After discovering that there were no minutes to substantiate meetings of the art foundation board, the IRS auditor decided to open a file on the art foundation. The auditor discovered the use of the art foundation funds to restore the club's art and also discovered that the foundation had not fulfilled the commitment it made on its Form 1023 to make its art available for public viewing on a regular basis. The IRS revoked the foundation's exempt status and it was required to divest itself of its assets (mainly artwork) by contributing them to another 501(c)(3) organization.

#### **Key Takeaways:**

- Violations of the private inurement prohibition should be taken very seriously.
- Board leadership should adhere to management's guidance, especially when it comes to compliance and tax issues.
- Noncompliance can have significant adverse ramifications.

### Foundation Summary Concepts

A club foundation will be more successful if it keeps to these important concepts:

- The primary reason for establishing a foundation is to allow donors to receive a tax deduction for the value of their gifts.
- A foundation is a legal entity and as such must be managed conscientiously over time.
- Establishing and supporting a foundation can represent a major commitment of time and resources for a club and its governance structure.
- Without strong, ongoing support from the club's leadership, it may prove difficult for the foundation to achieve success.
- Compliance is key. Taking on the risks associated with noncompliance can lead to huge legal fees and possibly the loss of the foundation's tax-exempt status along with other adverse ramifications.
- The IRS prohibition against private inurement needs to be taken seriously. The foundation should make sure that expenditures are always made only for things consistent with its IRS-approved mission.
- A foundation is permitted to donate money to other 501(c)(3) organizations, even if their mission is different from that of the foundation.
- In all likelihood, the foundation will eventually come under scrutiny from the IRS and/or other governmental bodies. **CD**

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# Evolution and Growth

# The Rise of ClubsHelp

By Danielle Kindelmann

**P**eople join clubs for a variety of reasons, but for all of them it's to feel a sense of belonging expressed as camaraderie and community. Both of these values usually begin within the club, with the shared experience of membership, and then extend into the club's local community. This wanting to belong and to help those around us is part of the better aspects of human nature.

You can see the influence and impact that clubs have in their local communities everywhere, every day. But during the COVID-19 pandemic, one club—Spring Brook Country Club in Morristown, N.J.—went the extra mile and, as a result, started a movement that has become a nationwide phenomenon called ClubsHelp. From there, it has blossomed to become an organization poised to assist clubs across the country as needs arise in their local communities—from food banks to fire houses, scholarship funds to shelter.

### **It Began with One NCA Club**

It started in March 2020 when Spring Brook member Susan McGahan and her daughters learned that the nearby local hospital—Morristown Medical Center—was in need of Personal Protection Equipment (PPE), masks and hydration for first responders. They marshalled their resources and those of their fellow club members to find and deliver the supplies needed by the hospital.

“New Jersey was at the epicenter of the pandemic,” said David Bachmann, general manager and COO of Spring Brook. “Once Susan alerted our staff and members, there wasn’t a moment’s hesitation to gather the needed supplies and make personal deliveries to the medical teams that were working so diligently to help others.”

Still a local story, Bachmann appeared on “Fox & Friends.” Among those who saw the telecast was Rob Goulet, president of Entertainment and Sports Partners, and the manager of professional golfer Ernie Els. According to Bachmann, “Rob said, ‘Let’s grow this movement together and engage clubs around the country.’” ClubsHelp was born.

What started as a single club has grown coast to coast. The motto says it all: Unite Nationally. Care Locally.

The members of Spring Brook expanded their support, giving to Trinitas Regional Medical Center, which serves as a critical lifeline for thousands of people in and around the urban center of Elizabeth, N.J. area, including many who are vulnerable and poor.

“Thank you for opening your hearts to the frontline staff at Trinitas,” said the hand-written note from Nadine Brechner, the center’s chief development officer & vice president. “The thoughtful gift of 1,000 KN95 masks will be used to protect our first-line responders, doctors and nurses as they care for our patients. Your generosity and kindness lift spirits, renew hope, and provide strength during this difficult time.”

### **Expanding the Reach**

The medical community was eager to receive assistance and through additional outreach, formed an advisory board to guide ClubsHelp in navigating the health care industry and identifying where it was most needed.

“As a healthcare executive and avid golfer, I can think of no better partnership to proactively improve our community’s health and well-being than golf club members working hand in hand with community healthcare providers,” commented David Ledbetter, executive vice president and chief scientific officer of Geisinger Medical Center in Pennsylvania and a member of the healthcare advisory board.

Support from prominent golfers, including Ernie Els, Jack Nicklaus and Kris Tschetter, increased visibility for the new organization, which has now grown to nearly 400 member clubs.

In his endorsement video, Nicklaus challenged the hundreds of clubs he designed across the country to join ClubsHelp. One of the many National Club Association member clubs to step up was Desert Mountain, located in Carefree, Ariz., and home to six Nicklaus Signature golf courses.

As the pandemic spread—with Arizona especially hard hit—the members of Desert Mountain exhibited their generosity and collective energy by providing healthy, balanced meals to three Phoenix-area hospitals, The Mayo Clinic, HonorHealth and Banner Health, as well as the first responders of the Scottsdale Police and Fire Departments. Such efforts are nothing new for the Desert Mountain community, which has a long history of charitable support, including its own need-based scholarship fund for eligible employees, their spouses, and dependent children and grandchildren.

“The idea to support the greater community was first generated by our members, who consistently and generously help others,” said Damon DiOrio, CEO, Desert Mountain Club. “And, of course, when Mr. Nicklaus added his challenge, Desert Mountain was ready to help.”

Responding to Nicklaus’ challenge, which aligned with a grassroots, member-driven initiative, Desert Mountain raised nearly



Frontline responders at Morristown Medical Center enjoying donations supplied by Spring Brook Country Club.

# CLUBSHELP—AT A GLANCE

## What is ClubsHelp?

The mission of ClubsHelp Foundation is to connect the club industry, its members and supporters with causes and charities in their local communities. ClubsHelp serves as a national network equipped to source or provide critical resources to local agencies in times of crisis.

Nationally, ClubsHELP springs into action in times of need. We activate our partners, provide hands-on help, volunteers or financial assistance with communities in need via our club network. Through the ClubsHelp Foundation, our partner clubs and their members also jump into action with their support, thus becoming a full circle support network. We're here for you!

## How does the organization work?

ClubsHelp is effective because it understands that local clubs are most familiar with the needs of their own communities. ClubsHelp has assisted partner clubs with their chosen philanthropy, including local hospitals, food banks, emergency services providers or other charities in which they are most invested.

## Why join ClubsHelp?

By becoming a part of ClubsHelp, a club sets itself apart as a recognized industry leader that gives back to its local community. There is no charge to join and the benefits are great, including a national network at the ready to support member clubs when they or their communities have needs.

## What is the organizational structure?

ClubsHelp has a six-person national board of directors, supported by two advisory councils representing the club industry and health care. Regular communication helps guide policies and operational priorities. A part-time, paid administrator oversees day-to-day operations.

## Are donations accepted?

Individual and corporate donations are welcome to help build the financial strength of ClubsHELP and are tax deductible to the extent allowed by the IRS.

## How does ClubsHelp use the funds in its treasury?

Since its inception, ClubsHelp has contributed to numerous hospitals, nursing homes, food banks and families across the USA. Through communication within the ClubsHelp network, the national office is alerted and activates as pressing needs arise.

## How can you become involved?

While we have nearly 400 clubs, we want to grow to 4,000 clubs. Our goal is to involve more clubs in the movement to build brand awareness and to add social followers and volunteers. Learn more about ClubsHelp and how you can join by visiting [clubshelp.org](http://clubshelp.org).

Members at The Club at Lake Sinclair and restaurant partner Aubri Lanes giving back to local fire, rescue and hospitals.



\$60,000 in eight weeks, which was used to supply 3,550 meals to employees and their families, hospital staff and frontline responders.

## Looking Ahead to Additional Needs

What's next for ClubsHelp? While its impetus was the pandemic, the organization—through its member clubs—is also addressing the needs of communities affected by fires, hurricanes and other disasters.

Following the recent, devastating storms in Cedar Rapids, Iowa—where 40% of the community was without power for two weeks, supplies were scarce, and COVID-19 cases were spiking—ClubsHelp offered aid to Mercy Hospital in Cedar Rapids.

"There is no way to thank you enough for your desire to help," texted Lorrie Erusha, president, Mercy Medical Center Foundation. "Your organization's mission is marvelous and you have no idea the impact you'll have helping Cedar Rapids residents."

When Justin Riegel, 38, director of golf at Philmont Country Club, a Concert Golf property outside of Philadelphia, was tragically killed in a severe thunderstorm that caused a tree to crash down on the barn and pro shop, ClubsHelp was there to support by donating to a scholarship fund set up for his young family.

## Unite Nationally. Care Locally.

The ultimate objective of the ClubsHelp cause, however, is staying local. Clubs are encouraged to "adopt" a local charity on their own or work together to support a cause.

For example, seven Florida clubs collectively "adopted" Delray Medical Center, part of Tenet Health,



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Final hole for the 100-Hole Challenge at Arnold Palmer's Bay Hill Club.



taking turns delivering complete, pre-packaged “to-go” meals for 200 staff members at the hospital: Polo Club (Boca Raton), Addison Reserve Country Club (Delray Beach), The Club at Quail Ridge (Boynton Beach), Woodfield Country Club (Boca Raton), Delaire Country Club (Delray Beach), Gleneagles Country Club (Delray Beach) and St. Andrews Country Club (Boca Raton).

### Growing Partner Support

Several national vendors also stepped up to the plate, adapting their production capabilities to provide ClubsHelp with essential PPE equipment to be distributed locally to those who need it the most.

Mountain Productions in Wilkes-Barre, Pa., a large event company, donated 1,000 sets of anti-microbial gowns and 3-ply masks through clubs to medical facilities in three hard-hit areas: University of Mississippi Medical Center (Country Club of Jackson); Advent Health Systems and Orlando Health; and Eastern Connecticut Health Network-Manchester Memorial Hospital (Ellington Ridge Country Club).

AHEAD USA, one of the country's most prominent headwear manufacturers, donated caps for participants in the ClubsHelp 100-Hole Challenge (see sidebar) and ClubsHelp member clubs.

Clif Bar & Company donated 7 million energy bars through ClubsHelp to frontline health care workers, first responders,

## 100-HOLE CHALLENGE

It's a fundraiser, it's a marathon, it's a way to give back to local communities—all through the sport of golf. The ClubsHelp 100-Challenge is a vehicle designed to raise funds for local charities nationwide.

"With so many charity golf events being canceled this year due to social distancing and non-member play voiding large tournaments, we needed to create an event that adheres to social distancing protocols," said Michael McCarthy, CEO of Addison Reserve Country Club and chairman of the ClubsHelp 100-Hole Challenge. "Members and corporate sponsors can support players who are responsibly playing in these events."

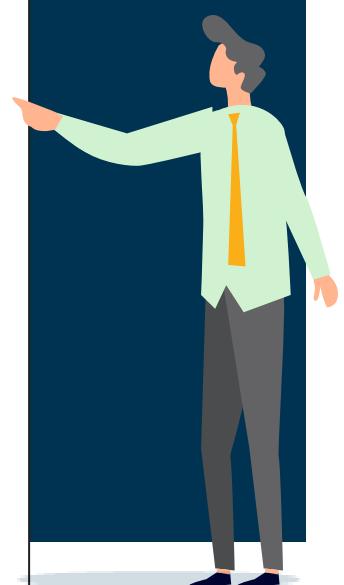
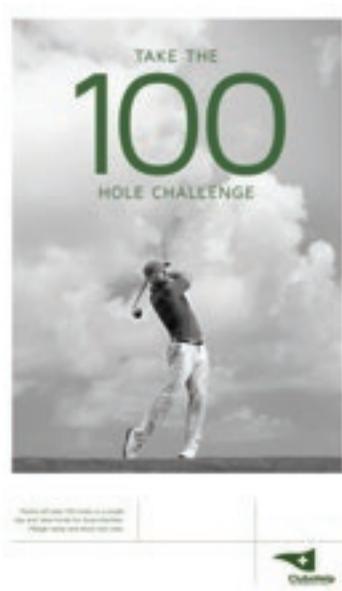
The main benefit of the 100-Hole Challenge to communities is that clubs across the country can pledge support for favored local charities.

### How does this event work?

Amateur golfers, including club staff or teams from local charities (typically in groups of two or three), choose a day to play 100 holes of golf from sun-up to sundown to raise money for select local charities. Pledges are received from friends, club members, family and local businesses, with 90% of funds raised donated to the club's designated local charity and the remaining 10% to ClubsHelp. Teams may represent the club, a corporation or a charity, allowing tremendous flexibility to raise funds for multiple causes.

Member clubs receive promotional support from ClubsHelp national headquarters, including an app for receiving pledges, national leaderboard and promotional tool kit.

The 100-Hole Challenge is the ultimate demonstration of community support, which is the essence of ClubsHelp, a 501(c)(3) foundation.



food banks, hospitals, and 100-Hole Challenge participants, just a fraction of the company's total national donation.

A who's who of national golf-industry organizations, including NCA, also pledged support for ClubsHelp. NGCOA, GCSAA, ASGCA, and CMAA have joined Arcis Golf, ClubCorp and Concert Golf Partners to communicate and amplify the opportunity.

The generosity of these organizations and clubs is only surpassed by their creativity.

The Club at Lake Sinclair partnered with restauranteur Jason Medders, owner and chef of Aubri Lanes at The Club, to serve hot meals to staff at Baldwin County Fire and Rescue and ORMC Navicent Hospital. Additionally, three complimentary "drive thru" barbeques were held for hometown heroes and frontline responders.

And in a very generous act, the club's grounds maintenance crews have mowed the lawns of dozens of first responders who were either too busy or too tired to do yard work due to the rigors of fighting COVID-19.

That's going the extra mile. And that's what "community"—and ClubsHelp—is all about. 

**Danielle Kindelmann** is ClubsHelp administrative director. She can be reached at [danielle@clubshelp.org](mailto:danielle@clubshelp.org) or for additional information, visit [clubshelp.org](http://clubshelp.org).

**The motto says it all:**

## **Unite Nationally. Care Locally.**



*Game for more...  
opportunities*



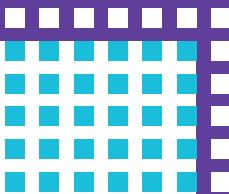
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# BRAND STRATEGY

J. G. Ted Gillary, CCM, CCE, ECM, CMAA Fellow

## A Look at How the Detroit Athletic Club Did It

Today, with the COVID-19 crisis affecting all organizations and, in particular, the social commerce of society, clubs are faced with a new challenge. The social and economic supports of a robust economy are eroded. How clubs react to the challenge, the decisions they make, and the way members, staff and the local community are impacted will long be remembered when we exit on the other side.

**T**his article introduces the concept of brand strategy and makes the case that what is so highly valued in public companies has positive implications for clubs as well. A strong brand has the stamina and agility to weather the ups and downs of the inevitable swings of the economy and fortune. Every club that systematically and intentionally builds their brand will positively impact all facets of their operation and the people it serves.

The following case study is drawn from my experience as executive manager at the Detroit Athletic Club (DAC) working in collaboration with DAC leadership and the Gyro Creative Group, a Detroit identity studio. Our primary objective was to grow the membership to enable the DAC to proceed with the Facilities Master Plan in time for our centennial anniversary. We recognized the DAC membership was our salesforce and only they could restore our membership affected by the 2008/09 recession. Our task was to connect with the membership on an emotional level, the wellspring of loyalty.

## Branding is Personal

When a young professional comes to me seeking counsel regarding their career, one of the things I encourage them to consider is that *“when you walk into a room, you stand for something . . . make sure it is something good.”*

As individuals, we have an identity that encompasses all that we are: our personality, our appearance and how we interact with myriad people in the circle of our life. Young professionals would do well to know themselves, to develop and to seek feedback on how they are doing from people they trust. For if that person is to excel then they should grow, mature and improve throughout their life. When that happens, the people interacting with that individual are better off for associating with that dynamic person. A person's identity is also their personal brand. It is the same for an organization.

Brand strategy for a club is about concentrating and refining the organization's identity and firmly putting its value in the heart of its members. It encompasses the club's culture, its staff and how they deliver service, the way members treat and care for each other, and the overall beauty and order of the property. The collective visible and verbal cues, done right, drive member loyalty on the emotional level to a degree not possible without being intentional. A club's future success is directly tied to the loyalty and devotion members have for their club.

**“ . . . your club's brand is not what management, or the board says it is, rather it is what the members and potential members perceive it to be.”**

A branding strategy is all encompassing and has a direct impact on a club's employees and the club's ability to attract and retain talent. Research has revealed that 50% of candidates would not work for a company with a negative brand, even for more money. In recent years club leaders have focused on millennials for membership growth and for talent. The fact is that 68% of millennials visit a company's social media sites to research employer branding. The same research shows that companies with a strong employer brand see the cost of hiring decrease by 43%. A brand strategy is highly effective for achieving a club's vision for both members and staff.

## The Alternative

In the absence of a brand strategy, the identity of a club is formed more independently, allowing its identity to develop traits not always helpful to its image. Keep in mind, your club's brand is not what management, or the board says it is, rather it is what the members and potential members perceive it to be.

Members will assess the club on their day-to-day experiences. To optimize the club's brand requires leadership to know what they do that is highly valued by members, to know how they do it and why it pleases members, and, most of all, why the experience matters to members. Knowing the answers to these questions allows leadership to decide to do more of what is valued to strengthen the club and increase the value of its brand. Not recognizing the nuances of what makes a club successful risks undermining the very pillars of that club's success.

## What is Brand Value?

Corporate America places a high value on brands. Although intangibles such as brand value do not yet appear on balance sheets, the time is coming. As corporations put greater emphasis on building and measuring brand value it can be expected that clubs will eventually follow.

Our culture is flooded with brand names we all love and trust. We count on these companies for quality products, excellent and personalized service, and to anticipate our needs. Top companies recognize the tremendous power that comes from building their brand value.

A comparison of 2010 to 2019 shows a realignment of the top-tiered public companies and significant growth in their value. Recognizing the importance of a brand, companies from the top of the list to the bottom are relentless in building their brand value.

**“To optimize the club’s brand requires the club to know what they do that is highly valued by members, to know how they do it and why it pleases members, and, most of all, why the experience matters to members.”**

2018 Forbes - World's Most Valuable Brands		
Rank	Brand	Brand Value
#1	Apple	\$57.4B
#2	Microsoft	\$56.6B
#3	Coca Cola	\$55.4B
#4	IBM	\$43.0B
#5	Google	\$39.7B

2019 Forbes - World's Most Valuable Brands		
Rank	Brand	Brand Value
#1	Apple	\$205.5B
#2	Google	\$167.7B
#3	Microsoft	\$125.3B
#4	Amazon	\$ 97.0B
#5	Facebook	\$ 88.9B

*“Brands are one of the most valuable but least understood assets,” according to Frank Findley, the executive director of the Marketing Accountability Standards Board, “The announcement of a new global standard for evaluating brands by the International Organization for Standardization (ISO) represents a big opportunity to rectify that and, in so doing, benefit all business management.”*

*Forbes Magazine, 2018.*

### Solution: What are clubs to do?

The task for the club industry is to find a credible formula to calculate the value of a club brand. If we are to focus on it, then we must measure it.

Ray Cronin, founder and chief innovator at Club Benchmarking, recently noted that clubs with a “real” brand demonstrate alignment to that brand in their finances and their boardroom culture. In collaboration with Ray and Club Benchmarking, we are devising a data-driven approach to measuring brand value of clubs. More to come later.

In the meantime, we can look to certain Key Performance Indicators (KPIs) to gauge a club’s brand value:

1. Ability of the club to price entry fees and dues commensurate with membership value
2. Net Promoter Score
3. Percent of active members engaged in proposing new members.
4. Compounded Annual Growth Rate

5. Earnings Before Interest, Tax, Depreciation, Amortization (EBITDA)
6. Gap surveys measuring member satisfaction/importance of services
7. Employee engagement surveys
8. Membership growth—achieving full membership—sustainability

### The DAC Case Study: The Brand Strategy Process

Eight years ago, the *DAC Brand Guide* was created. The concepts behind the guide impact all areas of the operation. The DAC Brand Strategy is as vibrant and applicable today as it was in 2012. It is an agile document that is scalable as the DAC learns with each successive year. The brand is stretched but it doesn’t break.

In early 2011, the leadership of the DAC had two major concerns. First, the recession that gained full steam in 2008/09 had stripped more than 600 resident members from our roster, a 20% decline. That loss in dues revenue equated to more than \$2M per year and would compound every year it proceeded unchecked. The second concern was that our centennial anniversary of our Albert Kahn building was only four short years away in April 2015.

We had grand plans and needed a full membership to achieve major property improvements in time for the 2015 celebration. The DAC is a beloved institution and member loyalty was high, but we needed to inspire members unlike any time in our history to help get the club back to full membership. Following is a brief overview of how that was accomplished.

### The DAC Story

One day Matt DiDio, DAC member and the co-founder and managing partner of Gyro Creative Group, asked the question: “Who do I talk to about branding?” With that discussion the DAC’s branding journey was started.

### First Step: Non-Member Survey

We recognized there were unknowns about attracting new members that needed to be explored. DAC members will always be the source of new member applicants, but a positive public perception is essential for them to be successful. What we lacked was an understanding of the public’s perception of the club. What did they think about the Detroit Athletic Club and what challenges may we have reaching them?

We contracted with the strategic marketing research firm Intellitrends to conduct an “Unaided Awareness Survey” of non-members within the DAC member demographic. “unaided” means that respondents were prompted with only the name of a category, i.e., club, hospitality, Detroit, etc. If the respondent brought up the name Detroit Athletic Club, then questions were

asked specifically about their impressions of the club on a range of traits. What we learned was that the name recognition and respect for the club was high; however, there were misperceptions about cost, activities and the makeup of the membership.

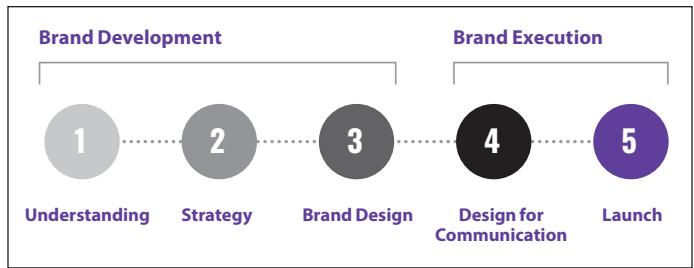
## Brand Development and Execution

In collaboration with Gyro Creative Group, we approached the brand development process in two-stages. Stage one, as seen in the diagram below, encompassed Brand Development and was made up of three phases. Stage two, Brand Execution, concluded with the final two phases.

### Brand Development Stage

The **Understanding Phase** within the Brand Development Stage was critical.

- The company focused on understanding the current business situation, the situation of society, the current DAC brand, the organization, and how they all related.



- The Gyro identity team reviewed and synthesized all DAC printed material as well as the insights gleaned from our Intelli-trends survey.
- They interviewed members and staff.
- At every step, the company synthesized their findings and reported back to the DAC team.

The **Strategy Phase** was devoted to developing the brand foundation as well as determining how to re-align and strengthen the DAC Brand.



*"From helping us navigate the challenging COVID-19 impacts, to delivering a digital engagement platform to keep our members connected – ClubLife Management has worked with our Board to keep our Club running smoothly during the pandemic. Their partnership has been truly invaluable."*

*- Bob Baird, Club President  
Santa Rosa Golf & Beach Club, Santa Rosa Beach, FL*

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**“If we are to focus on it, then we must measure it.”**

- **Immersive work sessions** were held to explore the components of the brand strategy and to align the components with word associations and key messages. During these sessions, the network of DAC member groups, both formal and informal, were mapped. This visual illustration made a powerful statement about the strength and depth of the DAC's member social network. Out of the mapping exercise the concept of “tending to and caring for others” rose above all.
- **The initial brand elements** revealed the essence of the DAC. Gyro now paid particular attention to the positioning of the brand and the language that should be used to ensure its relevance to the target audiences.

- **Presentations to the DAC team** opened the process for comments and refinement.
- **Strategy Document Development** outlined components of the brand in terms of essence, positioning, word associations and messaging.
- **Mission Statements, Vision and Core Values were aligned and revised.** The Strategy Document included the revised MVVs to guide the culture and brand of the DAC.

The **Brand Design Phase** was where the strategy came to life by articulating in clear terms the verbal and visual identity of the realigned brand.

- **Identity Development** leveraged the Strategic Document and introduced naming, icons and landmarks, personality, voice and tone, and the graphic elements of color, photography, typography and more.
- **Visual Language** documentation clearly stated the rationale behind the brand's visual expression, achieving a major milestone in the brand strategy process.

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## Brand Execution

At the conclusion of Stage 1, Brand Development, everything was ready to proceed to Stage 2, Brand Execution and the Launch.

The last step before locking into the components of the Brand Strategy was a final presentation. This was an enlightening moment as the Gyro Team presented the concepts in story form to the DAC board and management team.

The deft integration of photography, wording and associations of the brand story presented a powerful depiction of the DAC brand. Looking around the room, it was obvious the presentation made a connection with the audience. Some had tears in their eyes. The reaction was understandable given that studies have shown people feel an emotional connection to a brand when it demonstrates “they care about people like me.”

There are two key concepts that provide context for the DAC Brand Strategy.

- First, we believed it was essential that DAC members had an accurate understanding of the true value of the DAC. Members were the lens by which a prospect would visualize the club. If members got the story right, the probability was high the prospect would aspire to join and would do so for the right reasons. It was our mission to engage members in the new member process and equip them with the right message of why the DAC is so attractive as a social community. (see graphic A)
- The second concept clearly articulates the essence of the DAC of tending to and caring for others through a simple statement (see graphic B).

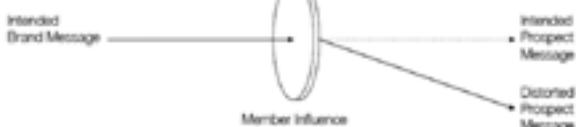
## Final Measurement

Once the Branding Strategy process was complete, we immediately conceived a launch strategy to engage members. We carefully designed all the touchpoints of both member and prospect messaging. It was an outright success.

The launch of the Brand Strategy produced immediate and sustainable growth in membership. Membership grew so quickly that Vision 2015, a \$22 million Master Plan, was given the green

## Members are your sales force. Lack of clarity is unproductive

### REFERRAL MODEL:



A

## Essence

*(Essence influences and guides vision, mission)*

to safeguard, observe,  
keep watch over

to honor and praise  
publicly

## Preserving and Celebrating Humanity

the longing to connect, relate  
and tend to others through  
relationships-growth-culture

B

light within months of launching the Brand Strategy. Membership hit the membership cap and continued to grow to a waitlist of 400 resident and 200 intermediate members.

## Documents Produced for the DAC

Brand Guide	Brand Quick Guide	Member Brochure	Staff Brand Book
<ul style="list-style-type: none"><li>■ Book I—Brand Strategy</li><li>■ Book II—Visual Language Guidelines</li></ul>	Easy reference for staff and brand managers: brand statement, typography, colors, relationship of marks, emblem and signature variations	Realigns member's understanding of the DAC's value and powerful in its simplicity and photojournalism	Mission, Vision, Values, Our Brand illustrated in story form: simple, clear and powerful, the essence of the brand, the DAC's personality (considered-refined-distinguished) and what it means to "Be The Brand"

**“ . . . people feel an emotional connection to a brand when it demonstrates ‘they care about people like me.’”**

The combination of Brand Strategy, extraordinary property enhancements and the club’s culture of excellence drove member satisfaction and the club’s net promoter score to record highs.

### **Recommendations**

Just as we can observe the true character of a person when times are tough, the same is true for a private club. The culture is the character or personality of an organization and the foundation for a brand strategy.

Developing a brand strategy is one of the most effective ways to focus the club on what is most important. It will drive the club to greater success when times are good and bridge the gap when a crisis comes. Clubs do their best work when they are focused and intentional about forming their brand.

A brand strategy encompasses all facets of the club operation as well as the purpose of the organization. Recent studies validate

that when a company is aligned in vision and values to execution, it is attractive to consumers and is a desired employer as well.

The case study of the DAC demonstrates that building a brand is a process that takes thoughtful planning and commitment. Clubs of all types should consider developing a Brand Strategy. Seek the help of a professional firm with a proven record to assist the leadership team. The journey is enlightening, and the ROI continues for years. **CD**

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**J. G. Ted Gillary**, CCM, CCE, ECM, CMAA Fellow is a consultant and search executive with KOPPLIN KUEBLER & WALLACE. Formerly, he served as executive manager of the Detroit Athletic Club.

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**Editor’s Note:** To see the Detroit Athletic Club’s brand strategy in action, see “Back to the Club” on page 48 for a photo essay on the club’s innovative weekend event to engage members safely as the club reopened.



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BACK  
TO  
THE

# JULY

A Challenging  
Twist to an  
Annual Event

By Bob Allen

Couples and small pods of friends unwind in the DAC's cigar lounge, The Last Word.

Photos courtesy of the Detroit Athletic Club.

**T**he Brand Guide of the Detroit Athletic Club (DAC) is an intricate tapestry covering mission statements and visions and typography and color selection and seemingly every possible permutation and scenario—except for a pandemic, which provoked a rewriting of the playbook here and there.

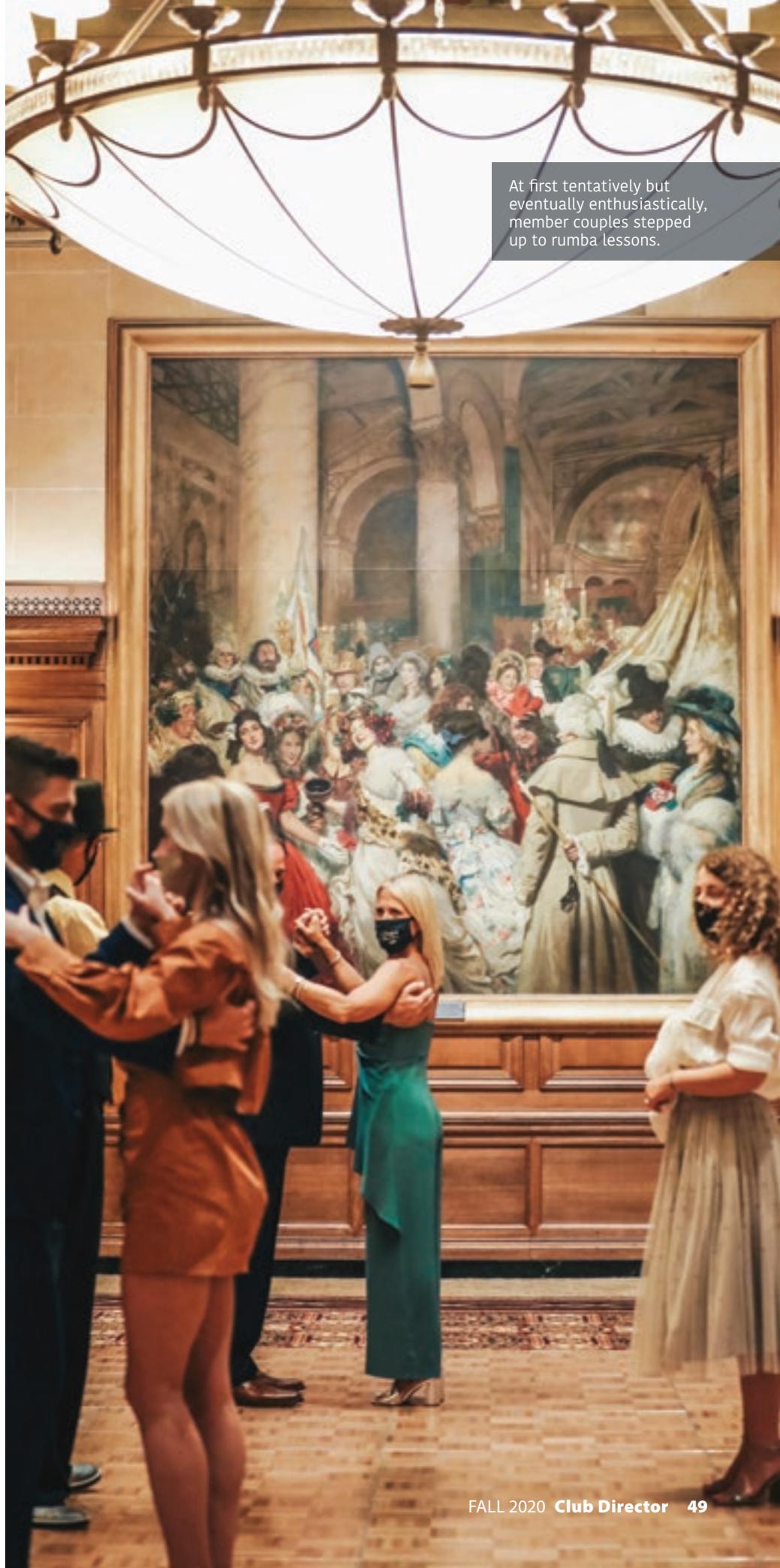
But what has remained intact throughout the past six months have been the connections—between member and member, between members and the DAC staff—and the desire to maintain those connections in the face of COVID-19 and the attendant precautions, isolation and uncertainty. In this unprecedented time, these connections were more than desirable. They seemed practically essential.

Among the varieties of events the DAC hosts within the walls of its Albert Kahn-designed clubhouse, the flagship is the annual Back to the Club—a weekend of celebration during which seemingly nothing is left to the imagination as all seven floors and the basement are transmogrified into one big party. And when it's over, the DAC staff just sort of collapses in a heap of exhilaration.

It's a party with a purpose: To bring members together in limitless ways—only in 2020 there had to be limits, notably on the number of people who could gather in a single room or on the grounds of the clubhouse. The memories of previous Back to the Club events—of huge throngs, crowded ballrooms, over-the-top decorations and dizzying offerings of food and beverages—would not be possible if the club were to hew to its mission to be the safest place to socialize in Detroit.

The DAC brand is not about size and sizzle. It is about life-enriching experiences, bringing members together with other members and with their beloved DAC staff. You don't need a big room for that. You just need a big heart and a good-size imagination and all hands on deck.

"To take an important and traditional club event that would typically have more than 1,600 people and transform it to be



At first tentatively but eventually enthusiastically, member couples stepped up to rumba lessons.

On the final day, members biked to Belle Isle on the Detroit River.



You just need  
a big heart and  
a good-size  
imagination and  
all hands  
on deck.



Back to the Club began with the inaugural Back With a Club golf outing.



The blue carpet was rolled out for members to make a grand entrance—masks at the ready.



Signature restaurant, The Gallery & The Fresco, was as busy as social distancing would allow over three nights of themed meals.

a safe and welcoming environment that complies with state and local restrictions is daunting, and it is easy to question the purpose of attempting it," said Charles

Johnson, executive manager of the DAC. "But there is a desire by members, and all people, to have some semblance of normalcy, and clubs have the resources and the professional staff to make that happen."

The Back to the Club became more of a *Welcome Back* to the Club. And instead of a banquet table of temptations, members were served—and ate up—an à la carte selection of events.

The weekend began with a hump day of golf, followed on Thursday, Sept. 24, by the first of a weekend series of tastings encompassing premium gin, rum, tequila and whiskey—a spirited lineup. On the rooftop and the ground floor, DAC restaurants created special dinners, including the popular Seafood Frenzy in the club's signature restaurant, The Gallery & The Fresco, and menus in The Stadium Club revolving around libations such as beer and whiskey.

Throughout the clubhouse itself, members had the opportunity to learn how to decorate cupcakes under the tutelage of a DAC sous chef, learn to dance the rumba or, for the kids of the club, TikTok (ask your children). There also was knitting and magic and the telling of fortunes—and who wouldn't grasp an opportunity for a little clarity in an uncertain time?

All of it wrapped up on a warm Saturday evening, Sept. 26, with a cornhole competition and a "silent disco"—ostensibly a participant activity that for onlookers served as a pretty

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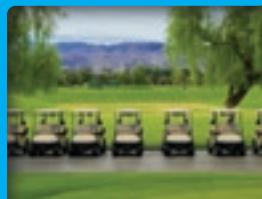
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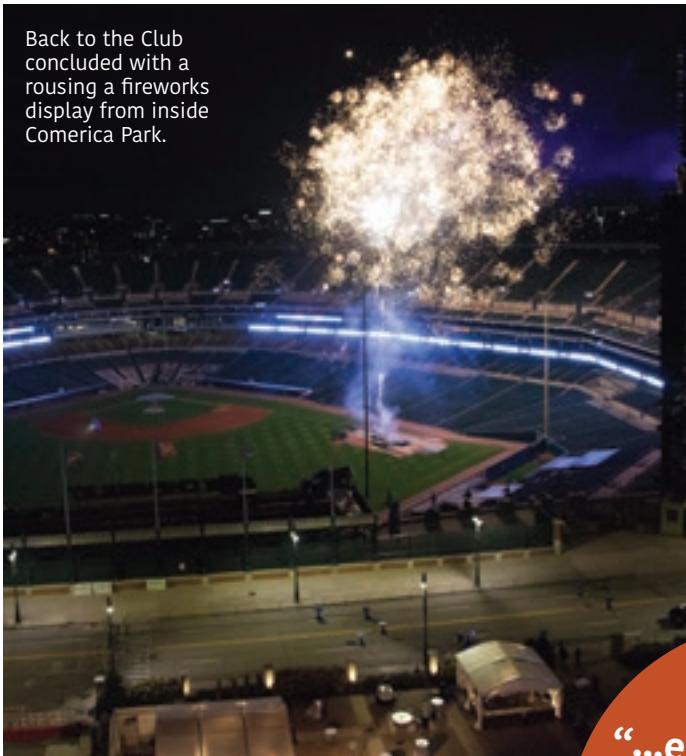
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Back to the Club concluded with a rousing a fireworks display from inside Comerica Park.



**“...even if, just for a moment, members enjoyed the club the way they’ve always known.”**

amusing spectator sport. Punctuating the event: fireworks over the outfield of the club’s next-door neighbor, Comerica Park, home of major league baseball’s Detroit Tigers.

No different from any other community, the community that is the Detroit Athletic Club needed an opportunity to get out and to get back.

“With a combination of creative programming and marketing, we were able to promote the camaraderie that members love, maintain a safe environment for members and staff, and provide something truly unique for these times—opportunities for social engagement and entertainment,” Johnson said.

“So while it was different than any Back to the Club weekend the DAC has had before, the purpose of the weekend was fulfilled. And even if, just for a moment, members enjoyed the club the way they’ve always known.”

No doubt, we all will remember the pandemic. What we want our members to remember is how we responded to the unprecedented challenge: With care and communication and determination and creativity.

To be sure, the branding of the DAC is intricately codified in manuals and handouts, in standards and practices,



Members sampled liquors from The Stadium Club atop the DAC Clubhouse.

Traditionally, Back to the Club brings members together in large groups. The protocols of the pandemic limited the size of individual events but did not deter the DAC from its overarching mission: Bringing people together.



metrics and dashboards. That allows us to articulate the brand. And from that, we convey the brand in our service to and relationships with our members. We know that they come here because it makes them feel better in a way they often cannot find in any other part of their lives.

Living up to that obligation is the DAC brand, certainly. But it is part of our institutional muscle memory. It is, in short, the DNA of the DAC. **CD**

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**Bob Allen** is director of communications at the Detroit Athletic Club. He can be reached at 313-442-1034 or [boba@thedac.com](mailto:boba@thedac.com).



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# TAXABLE OR TAX-EXEMPT STATUS

With the coronavirus pandemic and the adverse impact of the pandemic on clubs, many clubs are giving thought as to whether tax-exempt status, which limits the amount of nonmember business that a club may receive, is worthwhile to maintain. This question also was discussed after the financial crisis in 2008.

In March 2009, I read comments consistent with the following:

- I am willing to bet that, in 10 years, 50% of clubs that are currently tax-exempt will not be anymore, and
- The private club is not going away. In 10 years, there will be about 4,000 private clubs and about 12,000 other golf facilities, just like we have now.

In the National Golf Foundation's 2019 Golf Facilities Report, it was reported that "at the end of 2018, there were 14,613 golf facilities in the U.S. with 16,693 courses, and there were 3,708 private golf facilities with 4,339 courses." The golf industry has proven resilient.

If a club is contemplating a change in tax status, club board members should carefully consider various factors with respect to member use and tax implications. A prudent consideration of such factors will assist in making judgements in the best interests of the club and club members.

## Tax-Exempt v. Taxable Club, Generally

Internal Revenue Code (IRC) § 501(c)(7) provides social and recreational clubs with an exemption from federal taxation of income derived from providing services related to their tax-exempt missions. Tax-exempt clubs are subject to income tax on net income from nonmembers and investment income. In addition, as a general matter, a tax-exempt club may receive up to 15% of its gross revenues from nonmember activities.

## Considerations and Factors for Clubs

By James J. Reilly, CPA, JD

Clubs that relinquish or have their tax-exemption exempt status revoked become subject to regular corporate income tax. Generally speaking, the clubs report all revenues from members (including dues, initiation fees and assessments) and nonmembers. Taxable clubs may receive an unlimited amount of non-member revenues. Such clubs are required to be compliant with IRC § 277 (discussed below).

## May a Club Terminate Tax-Exempt Status?

The threshold question is whether a tax-exempt club may voluntarily terminate its tax-exempt status. In a dated letter (July 24, 2009), the IRS advised a club, in response to the club's request for a termination of its tax-exempt status, that the club could not voluntarily relinquish its tax-exempt status. Tax-exempt status could be terminated only 1) if the club either dissolves and disposes of its assets consistent with the law or 2) if the IRS revokes the club's tax-exempt status because of an IRS examination.

*The filing requirements imposed by Internal Revenue Code (IRC) § 6033 . . . militate against the Internal Revenue Service (IRS) allowing an organization to relinquish its exempt status. Organizations exempt under IRC 501(a) are required by IRC § 6033(a) (1) to file an annual information return (unless excepted by IRC § 6033(a)(2)). IRC § 6104(b) provides that information gathered pursuant to IRC § 6033 shall be made available to the public.*

*Therefore, allowing an organization . . . to avoid the information return requirement by voluntarily relinquishing tax exempt status would constitute an abdication of the IRS's responsibility to the public under IRC § 6104(b). The IRS cannot discharge or avoid this responsibility by acquiescing in an organization's "voluntary relinquishment" of its exempt status. (See 1985 EO CPE Text K. Voluntary Relinquishing of Tax Exempt Status.)*

An approach to the July 24, 2009, letter, absent attempting to have the IRS change its position, may be to simply have the club, that desires to function as a taxable club, operate as a for-profit club provided that it reports the proper nonmember business income percentage and pays the appropriate unrelated business income tax. Over time, the IRS may focus on the excess non-member business income being reported, examine the club, and revoke the exemption.

## Nontraditional Income, Pandemic Matter of Concern

An immediate concern to many clubs is the amount of their nontraditional revenue because, during the coronavirus pandemic, tax-exempt clubs turned to food-to-go activities due to partial or complete shutdown requirements imposed by state and/or local governmental authorities. Social clubs that provided food-to-go activities in their struggle to survive and service their members during the pandemic are now concerned that the revenue associated with such nontraditional activities may put their tax-exempt status at risk.

Remember, a traditional business activity of a tax-exempt club is an activity that, if engaged in with members, furthers the exempt purpose of a club, but a problematic nontraditional business activity does not further the exempt purpose of a club, even if conducted solely on a membership basis. Tax-exemption will be denied if the income from nontraditional business activity is substantial.

## Examples

■ Club A was organized for social and recreational purposes. It provided a take-out service which furnished food and beverages to members for personal consumption away from the club facility and a catering service for member special events. Income from the takeout and catering services constituted less than 5% of A's gross receipts for the taxable year.

The take-out and catering services provided by Club A are non-traditional business activities that did not further the pleasure and recreational needs of club members. However, the income from the take-out and catering services was less than 5% of the club's gross receipts for the year in question and did not constitute a substantial part of the club's gross receipts. Thus, neither service, nor the two combined, prevented Club A from qualifying for exemption from federal income tax pursuant to IRC § 501(c)(7). (Source: Internal Revenue Service ("IRS") 1996 EO CPE Text C. Social Clubs—IRC § 501(c)(7), Jim Langley and Conrad Rosenberg)

■ Club B, a tax-exempt club had sales-to-go activity involving various food products that was not deemed insubstantial, trivial or nonrecurrent (6.07% of its gross revenues) by the IRS. The sales-to-go activity is a service to members that is neither related to, nor in furtherance of, the club's exempt purposes. Therefore, it is a nontraditional business activity prohibited under IRC § 501(c)(7). Consequently, the Club B's exempt status should be revoked. (Source: IRS Private Letter Ruling 9212002.)

The concern about excessive food-to-go activities during the pandemic has been prompting some clubs to consider whether tax-exempt status is worthwhile maintaining.

In a recent ruling with respect to the receipt of carbon offset credits, the IRS stated that several factors show that the unusual amount of income received by the club from the credits would *not be derived from active conduct of a nontraditional business*:

1. The club did not purchase property to engage in this transaction;
2. The club purchased the property and has used the property for exempt activities;
3. The transaction will not be a regular recurring event; and
4. The club represents that the carbon offset credit transaction will be a unique event, and although it is not a sale, it is a one-time transaction analogous to the permitted incidental sale.

Although admittedly a different fact scenario, a club that is providing food-to-go activities because of the coronavirus pandemic 1) did not purchase property to engage in such activity, 2) property utilized has been used for exempt activities pre-coronavirus pandemic, 3) significant food-to-go activities will not continue post-coronavirus pandemic and 4) the food-to-go activities during the pandemic should reasonably be viewed as analogous to a "one-time" transaction. This ruling and the fact that the U.S. government has been struggling mightily to keep organizations viable and people employed should result in a relaxed view of the food-to-go activities by the IRS during the pandemic, although the IRS has not yet published guidance directly on point.

## Tax Benefits of Tax-Exempt Status Capital Assessments Received by a Tax-Exempt and Taxable Club

With respect to tax-exempt clubs, capital improvement fund assessments paid to the club by members are not subject to income taxation.

However, capital assessments paid to taxable clubs may be subject to income taxation.

The following excerpts from a case and IRS rulings discuss whether "capital contributions" to a taxable club are treated as taxable income:

- In *Washington Athletic Club v. United States*, 45 AFTR 2d 80-1257 (614 F.2d 670), (CA9), 02/28/1980), the Washington Athletic Club (WAC) established a capital improvement fund for the purpose of funding WAC's capital improvement programs. Members had

## **With respect to tax-exempt clubs, capital improvement fund assessments paid to the club by members are not subject to income taxation.**

no right to refuse to contribute to the capital improvement fund, and the members who failed to pay lost the privileges of club membership, including the use of club facilities. The question is whether such payments to WAC were exempt from federal income tax as contributions to capital within the meaning of IRC § 118. If such payments are to be treated as capital contributions, it is necessary that the members have other entitlements that are characteristic of capital contributions in order to establish that the payments were not made primarily for the privileges and services provided by the club to members. When a membership was terminated, the member simply forfeited all amounts paid to WAC and lost any right to share in WAC's assets on liquidation. The court's consideration of all the relevant facts resulted in the conclusion that the dominant, if not the sole, motive for the payment to the club by the members was to obtain the privilege of using the club's facilities. The members of WAC had *no investment motive* for their payments. The court held that the payments in issue were not capital contributions by WAC's members.

- In Field Service Advice 199911004, it was stated that the test for determining whether a payment qualifies under IRC § 118(a) as a capital contribution is whether the payor had a motive in making a contribution to capital. *United Grocers, Ltd. v. United States*, 308 F.2d 634 (9th Cir. 1962). If the payor had an investment motive in making the payment, then the payment would constitute a contribution to capital. In this case, it was concluded that the applicant for full membership had an investment motive in purchasing a full membership and, therefore, his or her initial membership fee constitutes a contribution to capital.
- In Private Letter Ruling 200411028, it was noted that the club established a redemption mechanism that enabled the founding members to sell their memberships and potentially profit thereby. Upon the death, resignation or expulsion of a founding member, the founding member is entitled to receive a refund equal to a percentage of the amount of the membership contribution then charged by the club for an equity membership. It was noted that the prospect of a founding member receiving a refund for his equity interest in the club is conditioned upon the club approving another candidate for regular membership and the approved candidate paying the required capital contribution. Nonetheless, the IRS did not think that these two conditions are significant obstacles to a founder member's ability to receive a refund. Accordingly, the IRS concluded that founding members have an opportunity to profit from their membership contributions.

### **Initiation Fees Received by a Tax-Exempt and Taxable Club**

With respect to tax-exempt clubs, initiation fees paid to the club by members are not subject to income taxation.

Courts and the IRS have developed a two-prong test to assess whether a taxable club has received money or other property "in exchange for stock" for purposes of IRC § 1032(a): (1) whether the transferor received a significant proprietary or equity interest in the corporation, and (2) the transferor's motive for transfer of the money or other property.

1. **Equity Interest:** Where traditional stock is not present, apply the same substantive analysis to the membership interest received. In general, an equity interest implicates three basic rights: 1) the right to vote, and thereby to exercise control, 2) the right to participate in current earnings and accumulated surplus, and 3) the right to share in net assets on liquidation.

In the context of social clubs, the second right, that is the right to participate in current earnings and accumulated surplus, deserves additional consideration. Typically, under state law, a nonprofit corporation is not permitted to pay dividends to members. This prohibition prevents members from sharing in the club's assets on an annual basis, but to the extent members share in the corporation's assets on liquidation, their ultimate equity ownership in the club's assets is unaffected. Consequently, this represents a neutral factor.

Other relevant factors:

- Payment must be made as an investment in the capital of the corporation, rather than in consideration of goods or services.
- Members pay significant annual dues to fund the corporation's operating expenses.

2. **Investment Motive:** Ltr Rul. 200411028 noted that no court has yet set forth a test for determining investment motive under IRC § 1032(a); therefore, the test for investment motive developed in the context of contributions of capital contained in the preceding discussion of IRC § 118(a) is relevant.

### **Non-Recognition of Gain on Sale of Property**

Tax-exempt clubs have a methodology for deferring the gain on sale of exempt property that is unavailable to taxable clubs. IRC § 512(a)(3)(D) provides, in part, that if property that was used directly in the performance of the exempt function of an IRC § 501(c)(7) club is sold by the club and, within a period beginning one year before the date of such sale and ending three years after the date of such sale, other property is purchased and used by the social club directly in the performance of the club's exempt function, gain from such sale shall be recognized only to the extent that the club's sales price of the old property exceeds the club's cost of purchasing the other property.

So, with exempt purpose property, there is a methodology for deferring tax payments available to tax-exempt clubs. Tax-exempt clubs have sold exempt-use property (land, paintings, building) for

millions of dollars and have deferred tax payment because of the availability of IRC § 512(a)(3)(D).

### IRC Section 277

If the club lost its tax-exempt status, the club, if it continued operating, would fall within the ambit of IRC Section 277, which in short, does not permit a taxable club to offset losses from member generated operations against profits from non-member business in computing its membership activities. This provision prevents a taxable, or a non-exempt club, from subsidizing its membership operations with nonmember income and is not generally viewed as a beneficial tax provision versus tax-exempt status.

- IRC Section 277(a) applies to transactions with members. As a result, deductions for a taxable year attributable to furnishing services to members in excess of member income earned during such taxable year are not permitted to offset income derived from transactions with nonmembers (nonmember income) during such taxable year. Instead, the excess deductions are permitted to reduce income derived from furnishing services to members in the next succeeding taxable year.

For example, if the taxable club had an overall loss of \$<20,000>, which consisted of a \$<50,000> loss on membership operations and a \$30,000 net profit on nonmember income, the club would have to pay a tax on the \$30,000 net profit on non-member income.

### Relinquishing Tax Exemption Potpourri

A club that is considering relinquishing its tax-exempt status should discuss the implications of the following with its legal counsel regarding, among other topics, the impact, if any, on the club with respect to the following:

- Civil Rights Act of 1964—Generally speaking, the CRA shall not apply to a private club or other establishment not in fact open to the public.
- Americans with Disabilities Act—“Private membership clubs do not have to comply with ADA regulations except when they open their facilities to the general public.” (ADA National Network, *Private Clubs under the Americans with Disabilities Act*, 2018.)
- Club Liquor Licenses—“Club licenses are only issued to not-for-profit organizations. If you have a club license, you may only serve alcoholic beverages to members of your organization and to guests that accompany the member to the licensed premises.” (2019 NYS Liquor Authority Handbook for Retail Licensees.)
- State Public Accommodation Laws—Generally speaking, public accommodation laws prohibit businesses from refusing service, or providing discriminatory service, to customers and members of the public. Many states have exceptions from such law for distinctly private clubs. While the definition of distinctly private can vary by jurisdiction, generally speaking, whether a club is distinctly private turns on factors such as whether the club 1) carefully screen applicants, 2) limits the use of the facilities and services to members and bona fide guests of members, 3) is controlled by the membership, 4) is nonprofit and operated solely for the benefit and pleasure of the members, and 5) directs its publicity exclusively and only to members for their information and guidance.

The preceding information is provided only for your consideration, but information regarding the preceding must be discussed with legal counsel prior to any reliance thereon. 

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# Is golf still the most important aspect of the country club?

## BOB

**The golf course saved many clubs from extinction this year and remember that golf drives initiation fees.**

## DAN

**I contend that excellent food and beverage programming and execution is centric to the member experience.**

### Bob's Point of View

Dan, it goes without saying that golf is the most important aspect of a golf club, otherwise it would simply be a dining club; and how many of those do you know outside of a major city? Country clubs, on the other hand, are now being touted as family clubs and over the last decade or so, national surveys flipped from golf being the main reason for joining a country club (typically scoring 4.5 out of 5) to dining becoming number one, presumably the social aspect of dining. But then came the pandemic and my guess is that golf has bounced back to where it rightfully belongs—the number one reason to join and remain a member.

It is generally agreed that the spouse in most families has a significant role in the decision whether to join a particular club. However, in spite of all the inroads made by the USGA and PGA to attract more juniors and women to the game, I suspect that given their druthers, many spouses would still prefer to join the local swim and racquet clubs. They are far less expensive, more family centric and provide greater local social connectivity.

Although it is clearly in the best interest of all family clubs to focus attention on spouse and children's programs, a club should not lose sight of how important the golf course and practice areas are to the longterm health of the club and to a sustainable membership. That is not to say that clubs should shortchange the aquatic and tennis facilities or restaurants and bars as they are the social hubs of any club.

Many country clubs have been hard hit by the pandemic and will not be able to recover financially or in membership

counts for several years to come. This downturn may provide the impetus to finally cut back on marginal services and activities but be careful where and how severe cuts are made to key member amenity areas. The golf course saved many clubs from extinction this year and remember that golf drives initiation fees. Take care of your key asset!

### COUNTER POINT

#### Dan's Point of View

Bob, your points barely dignify who you rightfully identify as the decision maker when families make the decision to join a club—the spouse. And you only somewhat dignify what a full-service club offers beyond on golf.

Consider all country and golf clubs on a bell curve. Those below the median or in the first or second quartile were struggling before COVID-19 and that struggle is further exasperated now. I contend that excellent food and beverage programming and execution is centric to the member experience. Everyone eats and dines, and great clubs today provide both. Beyond traditional golf, consider all the creative programming that has emerged because of the pandemic: creative dining delivery, online social and intellectual programming, virtual fitness and a range of events and activities that have kept members engaged at the better private clubs in America. Those same clubs currently have or are trending toward a more robust range of activities, amenities and services than ever before. They know they are not in the golf business or the restaurant business but the *entertainment* business.

Members can find golf access at a range of clubs and courses. There are 14,400 golf

clubs in America and only 4,000 or so are private. That should tell you that unless your golf product is in rarefied air on one of the many “lists,” exclusive or is located in a key location, you’re just another farm with push up greens and some tee boxes with a lawn in between—a product that can be found ubiquitously without initiation fees and dues.

You reference industry data. I would point out that several surveys identify privacy, safety and the free association with like-minded individuals as critical elements of the private club industry. I am sure the National Club Association would agree. The club experience is visceral, experiential, unique and can be shaped very specifically to members; ideally something members cannot get elsewhere. What other industry has such rich consumer data?

Consider what has happened to the ski industry. More than 400 “mom and pop” ski areas across the country have vanished since 1975. Today there are approximately 480 ski resorts and facilities, 150 viewed by ski industry experts as “on the edge.” Key turning points for the ski industry include a series of significant liability lawsuits, the escalating costs to make snow (both energy and capital)—and the expectations of what the ski experience should be: a resort experience versus the ski hill experience where you pack your lunch and have access to three versus 50 lifts, along with a number of other differentiators. It’s camping compared to the Four Seasons. The overall impact of these escalating fixed costs to the small “ski hill” are self-evident. They are gone. An overarching challenge for the ski industry today is what is perceived to be how difficult it is

to learn how to ski or snowboard, despite the technology improvements in equipment. Sound familiar?

Clubs that view themselves in the entertainment business versus the golf business or the restaurant business have the best chance of survival both short and long term. The ski business has evolved to be predominately owned by a handful of private equity and public companies. Might the club business be far off? **CD**



**Dan Denehy**, CCM, CHA, is president and **Robert C. James**, CCM, CCE, CHE, is vice president, DENEHY Club

Thinking Partners, a full-service executive search and management consulting firm serving the private club and boutique resort industries at more than 300 clubs and resorts on more than 700 projects. They can be reached at [dan@denehyctp.com](mailto:dan@denehyctp.com) or [bob@denehyctp.com](mailto:bob@denehyctp.com). Learn more at [denehyctp.com](http://denehyctp.com).

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## EXPERTS' CORNER



Ray Cronin

### FINANCE

# How can my club budget for 2021 in such uncertain times?

**PERSPECTIVE**, innovation and focus will be the key to navigating 2021 club budgets. For board leaders willing to embrace the change, the COVID-19 crisis could be the catalyst for a much-needed course correction that will strengthen their clubs and the industry as a whole.

After the 2008–2009 recession, declining dues revenue put significant stress on operating budgets, and clubs that once prided themselves on offering an exclusive, private experience turned to weddings, banquets and outside tournaments (aka non-dues revenue) to fill the gap. It was a dangerous shift away from their true mission—delivering an exceptional member experience—and the consequences became undeniable in mid-March when non-dues revenue dried up, virtually overnight.

Jolted by the shutdowns, clubs pivoted to enhance the member experience through every possible means, and the results have been encouraging. Many clubs report renewed enthusiasm from existing members and a revival of interest in joining that will inject much-needed dues revenue. Data from the Club Benchmarking Strategic Monthly Dashboard verifies those anecdotal accounts. Median year-over-year

decline in non-dues revenue was -66.4% in April, -49.8% in May, -27.2% in June, -12.9% in July and -10.8% in August. While limitations on gatherings and other restrictions persist, non-dues revenue is making a comeback thanks to non-dues revenue attributed to increased member usage.

Since it is unlikely that banquet and other non-dues revenue will recover to pre-virus levels for at least the first half of 2021, clubs have an opportunity to capture that momentum and dedicate 2021 budgets to further enhancing the member experience. At this unique juncture, you can choose to let the budget dictate your strategy or develop a strategy to drive the club forward and then budget to implement that vision. The latter approach begins with this question: What will we do to preserve and grow the club's physical assets, enhance the member experience, and increase the club's value proposition over the next five to seven years? Use the virus crisis to shift your 2021 budget process to a more member-centric view of the world and reap the benefits. **CD**

**Jolted by the shutdowns, clubs pivoted to enhance the member experience through every possible means, and the results have been encouraging.**

**Ray Cronin** is Club Benchmarking's founder & chief innovator. He can be reached at [rcronin@clubbenchmarking.com](mailto:rcronin@clubbenchmarking.com).

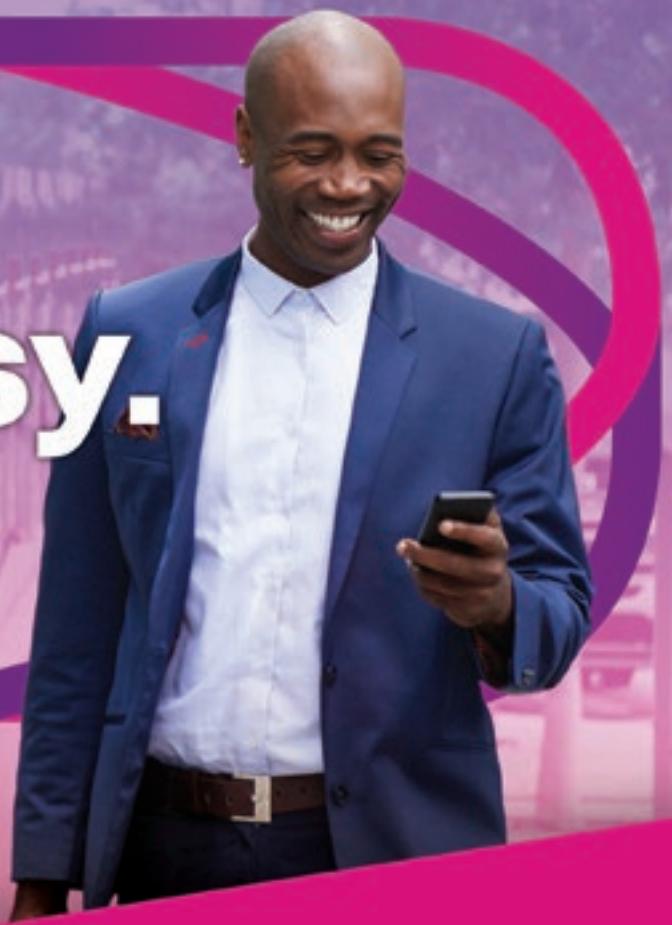
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## EXPERTS' CORNER



Frank Vain

### PROGRAMS

# With the summer season coming to an end, how can clubs create membership value during the winter months?

**FOR THE CLUB community**, 2020 has been a year only Charles Dickens could love: the best of times and the worst of times. We've faced a complex set of issues that have shown us there are no blanket statements or simple answers. Golf and country clubs have had a miraculous summer. Gated community clubs experienced both high demand from new homeowners and a new use pattern as many snowbirds stayed well past their traditional exit times. Our friends at city clubs have had a tough go of it. Now that we are in fall and will soon be heading into winter, fortunes are likely to shift again, by club type and location.

Few would have predicted at the start of the pandemic-induced quarantine in March that it would be a boon to golf play and country clubs. Some clubs used their experience of the Great Recession as a guide and modeled 20% declines in membership. Others assumed they would lose all their social members if they couldn't operate their pools or offer family recreation activities. Thankfully, this isn't what happened. In response to McMahon Group's recent quarterly Pulse Survey, 66% of golf and country clubs reported gains in members this summer while only 10% lost members. Ample outside spaces and golf's natural social distancing gave them a leg up, but it was innovation that allowed country clubs to show their true value to their members. From take-out

### No matter the club type, what 2020 has shown us is that when the going gets tough, the tough innovate.

food to drive-in movies, reservations at the pool and virtual wine tastings, those that offered their members a safe sanctuary thrived.

Gated community clubs have also been winners this year. They are selling homes like hot cakes as people are hedging their bets and buying homes in these locales in case their city shuts down again. Others are planning on continuing to work remotely from a place where there will be no winter. On the other hand, city athletic clubs have had a difficult summer. In the same Pulse Survey, 56% reported losing members while only 22% saw gains. The quarantine hit as they entered their traditionally slower months. With work from home or members heading to their mountain and beach homes, there was literally no market to serve.

This illustrates how clubs will need to develop individualized solutions for their challenges. They will face a patchwork quilt of regulations, so a "one size fits all approach" won't work. Country clubs in

the north and city clubs must plan now for how they will innovate to serve their members this winter. They are likely to face 25% or 50% capacity in their dining rooms, so using the ballroom and private dining rooms as potential locations. Members are still reluctant to come inside, so it will be important to restate your safety protocols. Country clubs should be covering their outside spaces and adding heaters and drop downs to extend this utility.

It will also be important to ramp up your virtual club. This was an important lifeline in the spring. While most have kept it alive, use naturally has wained. Now is the time to double down on that program. Start building your events calendar—frequent communications, online fitness classes, virtual events like wine tastings and golf lessons should all be on the docket.

No matter the club type, what 2020 has shown us is that when the going gets tough, the tough innovate. North or south, city or country, stay connected with your members, be empathetic and communicate. Your number one mission continues to be to make your members feel as safe at the club as they do in their own home. **CD**

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**Frank Vain** is president of McMahon Group, a full-service private club consulting firm that has served over 2,000 private clubs around the world. He can be reached at [fvain@mcmahongroup.com](mailto:fvain@mcmahongroup.com).



# HELPING CLUBS THRIVE

A black and white photograph of a golf course, showing a paved path or road leading through a line of trees towards a distant building.

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### GOLF

# How can clubs keep up the momentum of new, engaged golfers from the “golf resurgence” during the COVID-19 pandemic?

**WHILE ACROSS THE GLOBE** the COVID-19 pandemic continues to threaten people's health, well-being and livelihood, golf has seen a big resurgence at almost all levels. Call it a “renaissance” or “resurgence” or whatever you like, but the fact of the matter is golf's participation is spiking across all domestic markets.

With golf being played outdoors, golfers can be socially distant while engaging in a physical activity. While gyms and many other health related options were closed, golf attracted not only existing golfers, but many new golfers. According to the National Golf Foundation (NGF), most of the new golfers were either 6–17 years old or women. The demographics showed a big increase in participation by millennials as well as baby boomers. NGF data shows golf participation in July 2020 was up 19.7% year-over-year from 2019. Some management companies as well as golf courses nationwide are reporting nearly 30% increased participation year-over-year from 2019. Golf's total reach is now estimated at nearly 100 million people over the age of 5. The peak participation level at golf courses was 30 million in 2003. Last year's was at 24 million at golf courses with another 8–10 million at driving ranges and golf entertainment centers like Big Shots, Top Golf, and Drive Shack.

Golf equipment sales, golf club fitting and lessons are on a vertical path not seen since 2005–2006. The \$84 billion dollar

industry should see a dramatic uptick in sales for 2020.

So how do this data impact what and how you operate at your club? How are we handling the effect of four golf carts per foursome? Are golf carts going to be produced in the future to support one golfer and not two? Most clubs report a reduce time of play by golfers having their own cart and being socially distant. Clubs that have a lot of walking are also reporting a decrease in time of play, all positive steps for the future of golf. Many golf courses have reported new fitting studios, academies and driving ranges than can be altered to have a small par 3 woven in to the footprint of the facility. Many golf courses are adding a par 3 where land is available or reducing their 27 holes envelope to reflect the trend for a 9 hole par 3 golf course and enhanced practice facilities.

As managers and leaders of the golf industry, we must now keep our foot on the accelerator and continue to be creative, inclusive, diverse and forward thinking to keep the momentum of golfers coming to our facilities. The pandemic will end eventually. It is incumbent upon all of us in the industry to be proactive now and keep younger golfers, new golfers and women coming back to our clubs in the future. **CD**

### SOARING SALES

In August, retail equipment sales reached an all-time high of \$331M, up 32% from August 2019 sales. The previous record was \$287 in August 2006.

“Golf Datatech started tracking golf equipment sales in 1997 and we have never seen a surge like what has happened in the summer of 2020, coming out of the worldwide shutdown from COVID-19,” said John Krzynowek, Partner, Golf Datatech, LLC. “While the overall 2020 U.S. retail golf equipment market is still down 4.1 % YTD from 2019, this spike is nothing short of remarkable considering the game and business of golf was shut down for a good part of the spring season.”

Source: Golf Datatech, LLC



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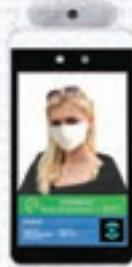
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Henry DeLozier

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**The launch point for improving club governance and reducing boardroom conflict is a board policies manual (BPM).**

### GOVERNANCE

# What is the best way to handle conflict in the boardroom?

"**EFFECTIVE NONPROFIT** boards deliberate as many and govern as one," according to noted governance expert Fred Laughlin, a director at GGA Partners. Unfortunately, many club boardrooms have become increasingly a reflection of the evening news, marked with bickering, contempt and dysfunction.

How can board leaders restore the levels of cooperation, deliberation and thoughtful leadership that most members expect?

The launch point for improving club governance and reducing boardroom conflict is a board policies manual (BPM). A well-conceived BPM sorts the principles of effective nonprofit governance, such as describing the role of a board of directors with particular focus on the board's job description and the orientation process, which helps make new board members effective and congruent in the boardroom.

Laughlin suggests several intentional steps that help to elevate the board to its best performance:

1. **Board Selection Criteria**—Clubs are advised to use an uncontested board election process, which requires a highly trusted Nominating Committee to recommend a slate of candidates in the same number as the number of board positions open.

Eliminating factionalism, the embarrassment of "running for the board" only to lose, and the choice a popular member who is ill-prepared to serve as a member of the board are three benefits of an uncontested election process.

The key to a legitimate election process is the trust and respect earned

by those members who serve on the Nominating Committee. The best Nominating Committees are populated by members who are highly respected and trusted for their good judgement and integrity. The greatest drawbacks for uncontested elections arise from Nominating Committee members who are indiscreet and known for their "agenda" within the club. Members' respect of the individual members of the Nominating Committee reflects into the overall trust of the committee's work.

2. **Board Code of Ethics**—All board members should be provided with, and accept in writing, the ethical requirements of board service. Such requirements include, and are not restricted to, the following characteristics:
  - Confidentiality and Nondisclosure—All board members must be accountable for protecting the privacy of the board and its deliberations. This is particularly difficult in most private club boardrooms where many board members adopt a casual approach to fiduciary responsibilities. Board members must be trusted by their fellow board members for the capability to be discreet and trustworthy.
  - Conflict of Interest—Board members must be scrupulous to avoid conflicts of interest. Normally this provision assumes that one would refrain from self-dealing and/or benefitting financially from the clubs contracting and procurement activities. Board members are expected

to refrain from being a champion for self-interests in which the individual board member is a beneficiary, such as favorable tee times for certain categories of membership.

3. **Business-like Governing Practices**—Club members expect their board members to take a business-like approach to corporate governance. In fact, most reference points for governing practices tie directly to members' experiences with boards of publicly traded companies where board conduct and process is held to a high standard. Such board disciplines as board authority to speak for the board—and club—are expected as are financial reporting and disclosure standards.

## Dealing with Board Room Conflict

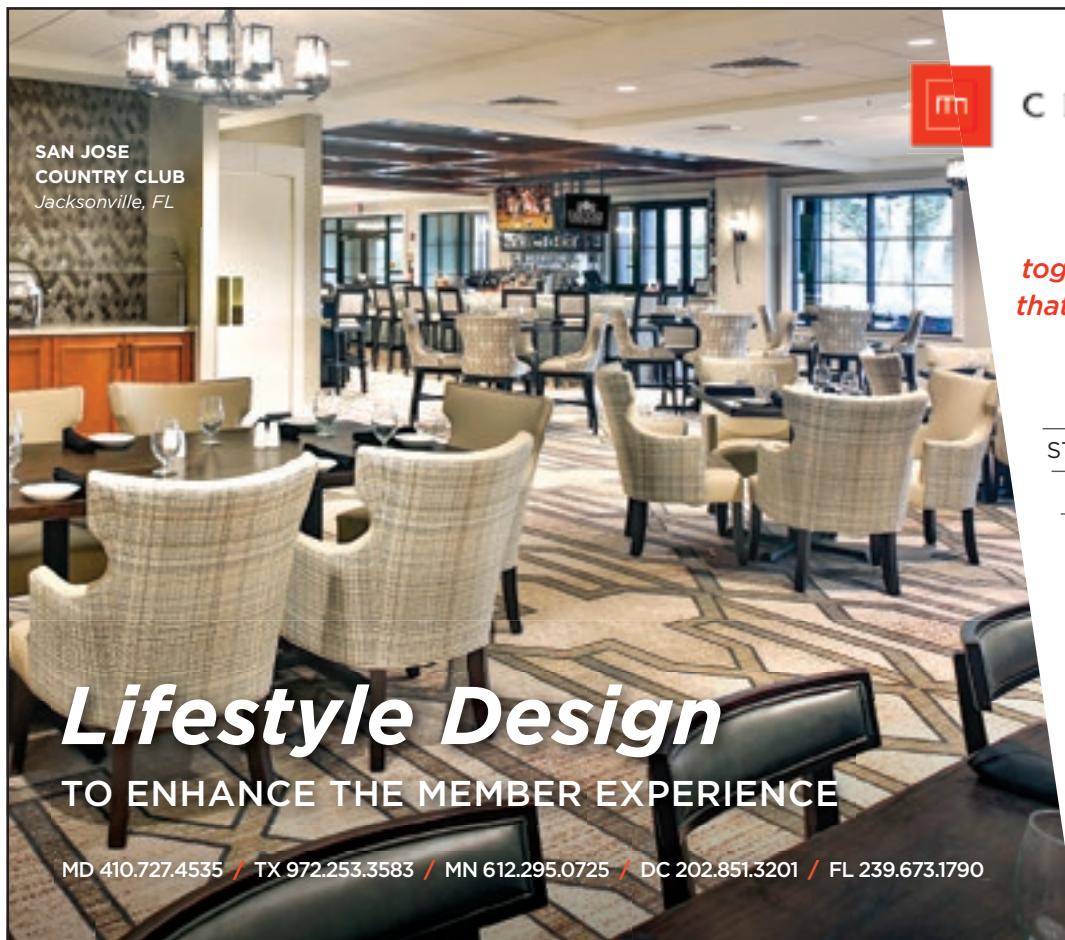
In these contentious times, some board members cannot be dissuaded from causing conflict within the boardroom. Such cases require genuine leadership from the board president and fellow board members. "Going rogue" and disrespecting the duty of sound governance requires that fellow board members confront the rogue board member firmly and fairly. There is tremendous value in a board member who sees a different point of view; such differences deserve respect when the board member with a different opinion works constructively with fellow board members. There is no place for those who do not honor principles described here. NCA has numerous

**"The board deliberates as many and governs as one."**

resources including the *Board Toolkit: Club Leadership Essentials* and *Club Governance Standards* publications, which can be found at [nationalclub.org](http://nationalclub.org).

Laughlin emphasizes, "The board deliberates as many and governs as one." 

**Henry DeLozier** is a principal at GGA Partners, an international club management consulting firm that provides specialized services to more than 3,000 clients from offices in Toronto, Phoenix and Dublin (IR). He can be reached at [henry.delozier@ggapartners.com](mailto:henry.delozier@ggapartners.com).



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# Monthly Trends Indicate Recovery

Source: Club Benchmarking  
[clubbenchmarking.com](http://clubbenchmarking.com)



**CLUB BENCHMARKING** has been monitoring and reporting on the impact of COVID-19 on the club industry since shutdowns began in March. Findings below are based on data gathered through the CB Strategic Monthly Dashboard. With restrictions still in place on weddings, banquets and golf outings, changes in **non-dues revenue** are a reflection of increased member activity.

## All Clubs

2020 vs 2019	April	May	June	July	August
Median YoY Change in <b>Non-Dues Revenue</b>	- 66%	- 49.8%	- 28.2%	- 12.9%	- 10.8%

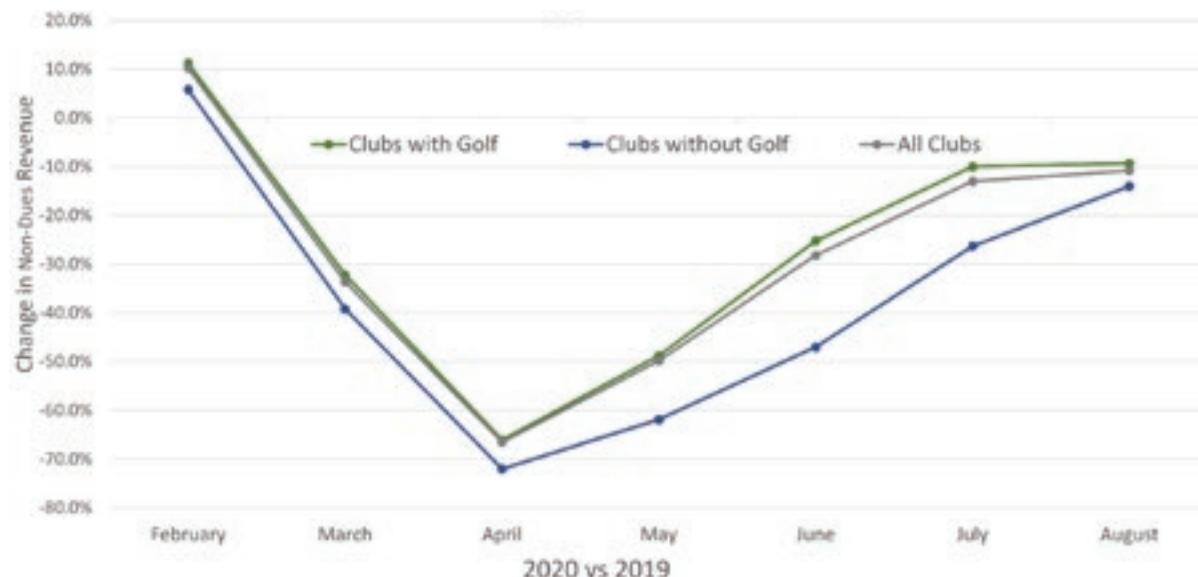
## Clubs without Golf (i.e., City/Athletic and Yacht Clubs)

2020 vs 2019	April	May	June	July	August
Median YoY Change in <b>Non-Dues Revenue</b>	- 72%	- 61.9%	- 47.0%	- 26.3%	- 14.0%

Long-term impact of COVID-19 would manifest itself as a decline in **membership**. Through the end of August, membership remains relatively flat. **CD**

2020 vs 2019	March	April	May	June	July	August
Median YoY Change in <b>Membership Counts</b>	+ 0.3%	No Change	- 0.3%	- 0.1%	- 0.2%	- 0.1%

## Year-Over-Year Change in Non-Dues Revenue



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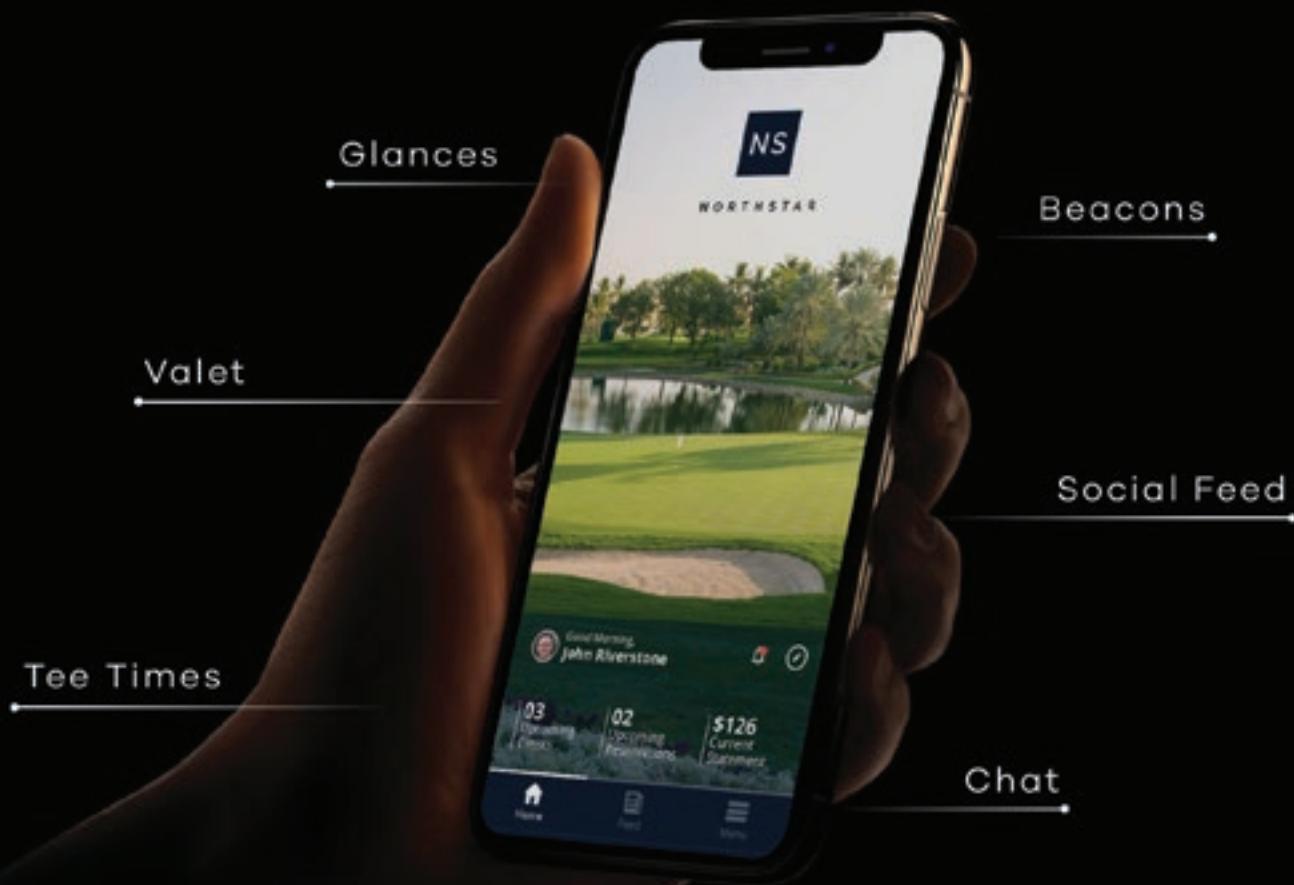
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- Golf Operations
- Food and Beverage
- Agronomy
- Athletics
- Resort Management
- Membership

### CONSULTING

- Governance
- Strategic Leadership
- Operational Reviews
- Performance Management
- Executive Compensation
- Club Assessment and Acquisition
- Management Advisory Services
- Club Surveys

**NS** N O R T H S T A R

# The Unrivalled ClubNow 2.0



Everything you want...  
and so much more

COMPLETELY REDESIGNED | NEW FEATURES | PACKED WITH SURPRISES