

**Club Industry Economic Summit**

Aronimink Golf Club  
July 29, 2009

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**Club Industry Economic Summit**

**It's not just the economy...**

- Membership trends
- Increased Competition
- Lifestyle Changes

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**Philadelphia and Vicinity 2009  
Economic Survey Update**

- Dues
- Membership
- Initiation Fees
- Operating Revenues
- Operating Expenses
- Net Income / Capital

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**The Economy or What's Left of It!**

- Dow Jones Industrial Average
  - October 12, 2007 was 14,093 (All time high)
  - June 20, 2008 was 11,843
  - July 22, 2009 was 8,881
- Unemployment rates
  - 26 year high
  - May 2009 lowest state rate was North Dakota at 4.0% with highest being Michigan at 12.9%.
  - National rate for May 2009 was 9.4%.
  - Compares with National rate of 3.9% for December 2000.

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**The Economy or What's Left of It!**

- In the 1<sup>st</sup> quarter of 2009 Americans have lost 1.3 trillion dollars of wealth.

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**What about clubs?**

In our practice area, which includes 13 states, as of January 1, 2009 as compared with 2008 our survey of approximately 275 clubs indicated the following:

- Golf & Country clubs experienced an annual dues increase of 3.7% while initiation fees decreased 2.3%.
- Tennis, Beach & Yacht clubs experienced an annual dues increase of 4.5% while initiation fees increased 3.7%
- City clubs experienced an annual dues increase of 4.8% while initiation fees increased 5.6%
- Overall membership decreased 2.6%

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**Club Industry Economic Summit  
Tax Trends**

During challenging economic times, club officers aggressively attempt to secure additional revenues:

- Lease rooms to members on a long-term basis thereby covering building fixed costs with member revenue????
- Sell food & liquor to members for consumption away from club thereby increasing member revenues???

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**Club Industry Economic Summit  
Tax Trends**

During challenging economic times, club officers aggressively attempt to secure additional revenues (continued):

- Member for a Day-therefore revenues are not unrelated business income????
- Unaccompanied Guests????
- Sell Excess Property????

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• The Drastic:

- Clubs merging
  - "Smelly Gorilla Theory"
- Selling club
  - Private letter ruling
- Clubs filing for bankruptcy protection
- Clubs closing

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- When I pull into the driveway of my social club, a sign proudly proclaims that my club was established in 1916, which means:
  - Survived World War I
  - Survived the Great Depression
  - Survived World War II
- Even though we are facing challenging times, remember, *The Sun Also Rises*.

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#### What about clubs?

From May 2008 to May 2009 Clubs have experienced:

- Membership variation of:
  - Down 3.1% for golf & country clubs
  - Down 1.1% for city clubs
- Golf revenue down 17.4% while the number of rounds have decreased 9.1%
- Bedroom sales down 26.6% for city clubs
- Occupancy down 19.2% for city clubs

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#### What about clubs?

From May 2008 to May 2009 Clubs have experienced:

- Food sales variations of:
  - Down 5% for golf & country clubs
  - Down 14.2% for city club
- Beverage sales variations of:
  - Down 1.6% for golf and country club
  - Down 11.3% for city clubs

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- Banking Changes
  - General economy
  - History with clubs
  - Last 6 months
  - Covenants
  - Banks will be more selective
  - Refinancing

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- Banking Changes (continued)
  - Lines of credit
  - Fees
  - Interest rates
  - Prepayment penalties
  - Swap agreements

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The Good News

- Clubs have a solid revenue base in dues. In our most recent survey approximately 52% of operating revenue comes from dues.
- Loyalty to the club
- Replacement cost
  - If I leave how much will it cost to re-join at a later date

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**What can a Club do?**

Attracting new members, but how?

- Trial memberships
- Incentive programs
- Advertising
- Websites
- Corporate members

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Attracting new members (continued)

- Initiation Fees
  - Waiving Initiation Fees
  - Allowing Installment Plan
  - Reducing Initiation Fees
- Prospective new member reception/outings
- Marketing Director or Outside Consultant
- Targeted emails to your area

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Retaining members, but how?

- Make membership relevant
- Survey member preferences
- Track member spending
- Use email/website to promote events
- Provide add-on services
- Maintain quality of services / facilities

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- Increasing revenue, but how?
  - Outing/Banquets
    - Opening charge on a Monday
    - Separate service charge for non-members
    - Pay date of function
    - Cost out each event
    - Advertising
    - Liquor license ramifications
    - Combine outings/banquets

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- Increasing Revenue (continued)
  - Daily Sales
    - Increase special events / activities
    - Offer specials on low-volume days
    - Offer special services
    - Reward frequent use
  - Monthly surcharge vs. service charge
  - Offer prepaid guest fees

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- Increasing revenue (continued)
  - Minimums
    - Monthly/Quarterly/Annually
    - Take out
    - Parties/Member functions
  - Evaluate “leave of absence” policy
  - Senior member category
  - Fitness center
  - Summer camps

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- Managing costs
  - Golf course maintenance average cost per hole in country clubs
    - 2009 was \$69,400 vs. \$39,300 in 1999
    - Percentage increase of 77%
    - Inflation rate of the same period was approximately 30%
    - Dues increases during the same period was 50%
  - Food and beverage costs
    - 2009 was 38% vs. 37.6% in 1999

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- Managing costs (continued)
  - Payroll as a percent of operating revenue
    - 2009
      - Golf & country clubs 52.8%
      - Tennis, beach & yacht clubs 51.2%
      - City clubs 52.8%
    - 1999
      - Golf & country clubs 51.2%
      - Tennis, beach & yacht clubs 49.9%
      - City clubs 53.8%

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- Managing costs (continued)
  - Payroll
    - Control overtime
    - Time recording systems
    - Scheduling
    - Hours of operations
  - Food costs
    - Purchasing co-ops
    - Inventory controls
    - Employee meal policies

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- Managing costs (continued)
  - Food costs (continued)
    - Delivery surcharges
    - Cameras
    - Accountability

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- Managing costs
  - Other
    - Real estate taxes
    - Internal controls
      - Check signing
      - Conflict of interest
    - Outsourcing
      - Payroll
      - Computer support
    - Winter closings

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- Managing costs (continued)
  - Restructure debt
  - Insurance
    - General
    - Health
    - Workmans compensation

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