Club Industry Trends and Economic Outlook

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Demographic Influences on Private Clubs

Economic Influences on Private Clubs

Private Club & Consumer Trends
Demographic Influences on Private Clubs
Demographic Overview

The American population is changing at a rapid pace.

A record number of babies—4,315,000—were born in the U.S. in 2007. The last time the number was that high was in 1957 in the middle of the baby boom.

The U.S. population is expected to reach 439 million by 2050, from 296 million in 2005, according to the Pew Research Center.

82% of that increase will be due to immigrants arriving between 2005 and 2050.

Source: NCA Planning Survey, 2009
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Current U.S. Population - 308 Million

Projected U.S. Population - 439 Million

Source: U.S. Census Bureau

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## U.S. Population Growth Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected population</th>
<th>Percent change from population in 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>308,936,000</td>
<td>10%</td>
</tr>
<tr>
<td>2020</td>
<td>335,805,000</td>
<td>19%</td>
</tr>
<tr>
<td>2030</td>
<td>363,584,000</td>
<td>29%</td>
</tr>
<tr>
<td>2040</td>
<td>391,946,000</td>
<td>39%</td>
</tr>
<tr>
<td>2050</td>
<td>419,854,000</td>
<td>49%</td>
</tr>
</tbody>
</table>

*Source: U.S. Census Bureau*
“The population increased not because people started breeding like rabbits, but because they stopped dying like flies.”

~ Nicholas Eberstadt
Harvard University Demographer
### Projected Population Growth

**(Top 20 States)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(x)</td>
<td>United States</td>
<td>281,421,906</td>
<td>(x) United States</td>
<td>363,584,435</td>
<td>129%</td>
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<tr>
<td>1</td>
<td>California</td>
<td>33,871,648</td>
<td>1</td>
<td>California</td>
<td>46,444,861</td>
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<tr>
<td>2</td>
<td>Texas</td>
<td>20,851,820</td>
<td>2</td>
<td>Texas</td>
<td>33,317,744</td>
<td>160%</td>
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<tr>
<td>3</td>
<td>New York</td>
<td>18,976,457</td>
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<td>Florida</td>
<td>28,685,769</td>
<td>179%</td>
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<tr>
<td>4</td>
<td>Florida</td>
<td>15,982,378</td>
<td>4</td>
<td>New York</td>
<td>19,477,429</td>
<td>103%</td>
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<tr>
<td>5</td>
<td>Illinois</td>
<td>12,419,293</td>
<td>5</td>
<td>Illinois</td>
<td>13,432,892</td>
<td>108%</td>
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<tr>
<td>6</td>
<td>Pennsylvania</td>
<td>12,281,054</td>
<td>6</td>
<td>Pennsylvania</td>
<td>12,768,184</td>
<td>104%</td>
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<tr>
<td>7</td>
<td>Ohio</td>
<td>11,353,140</td>
<td>7</td>
<td>North Carolina</td>
<td>12,227,739</td>
<td>152%</td>
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<tr>
<td>8</td>
<td>Michigan</td>
<td>9,938,444</td>
<td>8</td>
<td>Georgia</td>
<td>12,017,838</td>
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<tr>
<td>9</td>
<td>New Jersey</td>
<td>8,414,350</td>
<td>9</td>
<td>Ohio</td>
<td>11,550,528</td>
<td>102%</td>
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<tr>
<td>10</td>
<td>Georgia</td>
<td>8,186,453</td>
<td>10</td>
<td>Michigan</td>
<td>10,694,172</td>
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<tr>
<td>11</td>
<td>North Carolina</td>
<td>8,049,313</td>
<td>11</td>
<td>Virginia</td>
<td>9,825,019</td>
<td>139%</td>
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<tr>
<td>12</td>
<td>Virginia</td>
<td>7,078,515</td>
<td>12</td>
<td>New Jersey</td>
<td>9,802,440</td>
<td>116%</td>
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<tr>
<td>13</td>
<td>Massachusetts</td>
<td>6,349,097</td>
<td>13</td>
<td>Washington</td>
<td>8,624,801</td>
<td>146%</td>
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<tr>
<td>14</td>
<td>Indiana</td>
<td>6,080,485</td>
<td>14</td>
<td>Tennessee</td>
<td>7,380,634</td>
<td>130%</td>
</tr>
<tr>
<td>15</td>
<td>Washington</td>
<td>5,894,121</td>
<td>15</td>
<td>Maryland</td>
<td>7,022,251</td>
<td>133%</td>
</tr>
<tr>
<td>16</td>
<td>Tennessee</td>
<td>5,689,283</td>
<td>16</td>
<td>Massachusetts</td>
<td>7,012,009</td>
<td>110%</td>
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<tr>
<td>17</td>
<td>Missouri</td>
<td>5,595,211</td>
<td>17</td>
<td>Indiana</td>
<td>6,810,108</td>
<td>112%</td>
</tr>
<tr>
<td>18</td>
<td>Wisconsin</td>
<td>5,363,675</td>
<td>18</td>
<td>Missouri</td>
<td>6,430,173</td>
<td>115%</td>
</tr>
<tr>
<td>19</td>
<td>Maryland</td>
<td>5,296,486</td>
<td>19</td>
<td>Minnesota</td>
<td>6,306,130</td>
<td>128%</td>
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<tr>
<td>20</td>
<td>Arizona</td>
<td>5,130,632</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: U. S. Census Bureau*

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America’s 10 Fastest Growing States

1. Utah
2. Arizona
3. Texas
4. North Carolina
5. Colorado
6. Idaho
7. Wyoming
8. Nevada
9. Georgia
10. South Carolina

Source: Forbes
Highest Percent Of Minorities
(by County Population)

- Approximately 1/3 (100MM) of U.S. Residents are a minority

- The minority population of the U.S. is larger than all but 11 countries.

Source: RapidImmigration.Com
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Change in U.S. Population

Projected Racial Changes Based on Current Rate of Immigration

The minority population is approximately 12% of the population today by 2050 it is projected to be 19%.

Source: National Research Council Study
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Working Generations

Millions

- Gen Xers 1965-1979: 45MM
- Baby Boomers 1946-1964: 76MM
- Matures (<1945): 32MM

Multi-Generational Workforce

- Entry Into Workforce
  - Millennials
  - Gen Xers
  - Boomers
  - Matures
- Retirement: Matures

Tenure
Population Age Segmentation
Mass Affluent

- Top 5% households with earnings greater than $150K annually
- There are roughly **33 million** mass affluent households in US
- They own roughly 37% of America's liquid financial assets
- 93% own their own home, half of those mortgage free
- The Mass Affluent represents **over 5 million millionaires** in the U.S.
- Well educated, well traveled and well connected
- Most are **time starved and covet their leisure and recreational time** with friends and family

Golf Clubs & Members

• The number of private golf clubs throughout the U.S. is approximately 4,400, or about 30% of all golf facilities

• Currently, there are **2.1 million private club adult golfers** in the U.S., which represent about 9% of all adult golfers and **6% of the Mass Affluent**

• Private golfers are important to the golf industry because they are disproportionately avid players and spenders versus public golfers

• Private club golfers play 3x as much as public golfers and spend 3x as much

• The majority joined their clubs **before they turned 50 years old**

Source: National Golf Foundation
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The Millennials are reaching the age when, historically, the majority of current members joined a country club (30-39 years old).

Source: National Golf Foundation
Generations X & Y Profile

Social Networking and Technology are the Primary Lifestyle Interests

**Generation X:**
- Nearly 70% shop and bank online
- 21% read a blog once per month
- 61% send text messages

**Generation Y:**
- 90% own a computer
- 82% own a mobile phone
- 72% send or receive SMS messages
- They spend more time online than watching television
- 42% watch online videos at least once per month

*Source: NCA Planning Survey, 2009*
Social Networking

Social Networkers by Age

- 75% of 18-24
- 57% of 25-34
- 30% of 35-44
- 19% of 45-54
- 10% of 55-64
- 7% of 65 and older

Reaching the Next Generation

- Online Networking is Required
- The One-Way Website is Dead
- Tweet to Greet, Meet, & Eat
- Mass Mingling
- Profile Myning
- Life On Demand

Source: Equation Research 2009
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What this means...

Clubs must be prepared to deliver

**MULTI-CULTURAL**

&

**MULTI-GENERATIONAL**

programming, events, menu offerings, and experiences to attract and retain future members.
Economic Influences on Private Clubs
Consumer Confidence Trend

Current Reading: 18.8
Change: -2.4

Source: The Conference Board
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In September 2009, 14.4% of all U.S. mortgages outstanding were either delinquent or in foreclosure significantly affecting U.S. home sale prices.

Source: Mortgage Bankers Association Survey – 3rd Qtr 2009
Travel Trends

Total Domestic Person Trips*
(millions)

* = one person trip of 50 miles or more, one way, away from home or including one or more nights away from home

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The NCA Planning Survey, from January 2009, focused on the impact the economy has had on private clubs throughout the country.

Respondents were asked to indicate the degree to which factors related to the financial health of their club were healthy or a challenge for them...

- 84% reported that the quality of their membership services continues to be very healthy.
- Nearly 75% rated their ability to cover debt service as very strong.
- Just over 50% rated their club’s cash flow and capital reserves as healthy.

Source: NCA Planning Survey, 2009
Club Membership

The majority of clubs responding have increased their focus on membership through...

- **Improved Retention Efforts** - 86%
- **Expanded Membership Marketing** - 82%

Other responses to the economy include:

- **Trial Memberships** - 72%
- **Special Financing Offers** - 69%
- **Discounted Initiation Fees** - 69%

Source: NCA Planning Survey, 2009
To deal with declining revenues and dues in 2009, clubs responded by representing they would use the following tactics:

- Reduce labor costs: 84%
- Reduce other operating costs: 79%
- Try to attract more member usage: 76%
- Defer capital projects: 66%
- Try to attract more outside business: 55%
- Reduce maintenance expenditures to minimum: 45%
- Eliminate/reduce little-used offerings: 41%
- Extend seasonal shut-down: 15%

Source: NCA Planning Survey, 2009
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Membership Attrition

Average Annual Attrition by Club Size

<table>
<thead>
<tr>
<th>Number of Members</th>
<th>Attrition Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>250 and below</td>
<td>8.3%</td>
</tr>
<tr>
<td>251-500</td>
<td>6.5%</td>
</tr>
<tr>
<td>501+</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Source: NCA Planning Survey, 2009
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Membership Initiation

Initiation Fee Income has declined across the country with reports of 25% to 50% reduction at some clubs

Initiation Fees:

- $5,000 and under – 8.5%
- $5,001-$10,000 – 7.3%
- $10,001-$20,000 – 8.2%
- $20,001-$50,000 – 5.9%
- $50,000+ – 3.7%

Source: NCA Planning Survey, 2009
Membership Dues

Clubs were also asked to indicate whether they anticipated increasing their dues rates in the coming year and, if so, by what percentage

- Over 66% of the clubs indicated that they planned a rate increase
- At a range of 1-10%, with the average at 3.6% for country clubs

Source: NCA Planning Survey, 2009
Private Club & Affluent Consumer Trends
Why Members Join

Private club golfers participating in NGF’s research study indicated different reasons for joining a private club that varied with the type of club...

• Members of both country clubs and golf-only clubs join for the convenience and quality of the golf course and...

• Country club members also placed a high priority on other amenities for themselves and their families

Source: National Golf Foundation
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Changing Demands For Club Services

Members are looking for family-centered opportunities to learn, connect, have outdoor adventure, enjoy healthy experiences and interaction with diverse groups.

- Family Friendly Golf
- Video Game Rooms
- Online Network Games
- Exercise & Wellness
- Life Support - Concierge Services
- Food For Convenience & Health
Family Friendly Golf

Clubs that provide experiences for the entire family are growing in popularity. Family lessons, “short course” set up, kid friendly vehicles all serve to improve the value of membership in many clubs.

4-Seat Family Golf Car

Short Course & Par 3 Courses

Duel Brakes and Foot Activated Turn On and Shut Off Switch To Move Car
Spas & Wellness Trends

Pamper & Health are highly valued by the Mass Affluent

- Massage Therapy Rooms
- Mind and Spirit Rooms
- Manicure and Pedicure Facilities
- Child Care
- Reform Pilates
- Group Exercise Room
- Fitness Facilities
- Health Bar & Grill

“The Women’s Market opportunity is Number One – and there’s no close second for the foreseeable future....”
-- Tom Peters

In 2010 Women will own 50% of U.S. Stocks and control 60% of the wealth. They influence 94% of purchases in the U.S.
Quality “Game Rooms” are increasing in popularity. Designed for fun and interactive family entertainment. Clubs are installing Video Games and Wii, Xbox, or PlayStation 3 consoles then programming competitions around popular programs like Guitar Hero and Rock Band.
Online Network Games

Network While You Live & Play
Career coaches used to recommend taking up golf if you wanted to network with power players.

In today's Silicon Valley you'd probably be better off playing "World of Warcraft." You could meet your next business partner while teaming up to slay a dragon or connecting through Second Life.

Progressive clubs are setting up member networks to play online lifestyle games such as Second Life and traditional games including Scrabble, Blackjack, Poker and Chess tournaments.
Life Support – Concierge Services

**Leisure & Entertainment**
Parties, restaurant bookings, sports, culture, clubs

**Shopping**
Special gift purchases, personal shoppers, flowers, wedding lists, repairs

**Automotive**
Buying & selling, imports, vehicle hire, unclamping, driving schools, maintenance

**Travel**
Activity trips, tickets, hotels, villa & cottage rental, adventure tours, weekend breaks

**Home Improvement**
Architects, surveyors, furnishing suppliers, Plumbers, electricians, interior designers

**Wealth and Office Management**
Secretarial support, PC support, finance, insurance

**Career**
Contacts, training, moving, information, networking

**Body & Mind**
Personal trainers, wellness, sports clubs, makeovers

**Family**
Child care, schools advice, pet sitting, playgroups

**Home Services**
Personnel, butler services, cleaning help, security service, gardeners, dry cleaning & laundry

Companies are contracting with Concierge Service providers, such as Les Concierges, Circles, and Quintessentially, to help employees and customers with Life Management. Many clubs are following suit for their Members.
Top Food Trends

1. Locally grown produce
2. Bite-size/mini desserts
3. Organic produce
4. Nutritionally balanced children’s dishes
5. New/fabricated cuts of meat
6. Fruit/vegetable children’s side dishes
7. Superfruits (e.g., gojiberry, mangosteen)
8. Small plates/tapas
9. Micro-distilled/artisanal liquor
10. Sustainable seafood

Source: National Restaurant Association
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The Buffet is Passé - “Club Tables” are the new way to display food …where art, décor and food come together.

Ethnic Sandwiches – Such as Banh Mi, a culinary fusion from the days of French Indochina, the banh mi sandwich is rapidly invading the U.S. It's made on a small French loaf, or pain de mie, and is stuffed with delicious Vietnamese ingredients like cilantro, daikon radishes, onions, peppers, chilies and ground pork.

All-Natural…
• Premium beef that is Certified Angus, USDA Kobe or Choice
• Antibiotic free chicken
• Fresh fish that is long-line or hook and line caught.
Food Trends

“To Go” Food - One of the fastest growing trends in the country is “to go” food. Casual dining restaurants such as Chili’s are dramatically increasing sales through call-in orders to go.

“On-Line” Menus -
• 36% of American consumers have used the Internet to visit restaurants' Web sites
• 31% of American consumers have viewed restaurant menus online
• 27% of adults say they would use wireless Internet access at restaurants if available
• 43% would use customer-activated ordering and payment terminals

Going “Green” - including sourcing foods from small, local farms, organic operations or firms that supply free-range meats, as well as, using reclaimed wood.
What this means...

Clubs must evaluate the benefits of more...

**MULTI-FACETED**

Internet Social Programs
Lifestyle Interests & Services
“A Club Without Walls”
and
Casual, Healthy Dining Offerings
Summary

It’s Business as Unusual

Multi-Cultural, Multi-Generational, and Multi-Faceted

Be RESPONSIVE to changing affluent consumer demand

Build RELATIONSHIPS through technology & third parties

Stay RELEVANT to your market