PREVENTING LEGAL RISK
How to Avoid 8 Club Problems

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ONE OF THE THINGS I enjoy most about my job is the opportunity to travel across the country seeing the finest private clubs in operation, meeting the talented staffs, and speaking to club boards, club committees and general managers. It gives me the chance to continue to increase my knowledge of the industry and specifically the successes and challenges clubs are encountering. It also gives the people I meet the opportunity to learn about industry issues from NCA’s perspective—especially on the advocacy front—and the things they need to be doing that protect their private and tax-exempt status and other risk management issues.

For the cover story of this issue of Club Director, “Preventing Legal Risk” we posed those questions to some of NCA’s corporate partners and associate members. The result is a very informative and important piece that will help you and your club proactively protect yourself. One of the things I hear also, is “We are a private club, that doesn’t apply to us.” While that might be a great answer if it worked for everything, it unfortunately doesn’t. For example, if your clubs shows movies it needs to have a license to do so. If you include alcohol in your food and beverage minimums, you could be opening the club to liability. Are you paying the correct amount in hourly wages and overtime? The sound advice from these legal experts will make sure that you are doing your due diligence to not only avoid legal headaches, but also to protect the club from legal challenges, including the board, members and staff.

If you have questions that you would like answered, please send them our way. NCA’s resources, such as our National Club Conference, our vast library of resources, our expert staff, including the industry’s only dedicated lobbyist, as well as our vibrant network of corporate partners and associate members can provide you with critical information to help your club. We are always available to help, so please do not hesitate to reach out.

I hope to see you in my travels!

Henry Wallmeyer
President & CEO
WHEN I STARTED working in the private golf and country club industry more than 40 years ago, golf, cards in the men’s locker and dressy family dinners in a dining room of white tablecloths, hunter green carpet and burgundy chairs were the status quo. Clubs were bastions of tradition. And, while tradition is important, so is recognizing the reality of the need to change to keep members and to attract new members.

The question is how do we predict the changes and stay ahead of the curve? Research and staying in tune with how your members live their lives both inside and outside of your club is critical. Several years ago, ClubCorp conducted extensive research and focus groups to help determine what the future of clubs should look like. Through that research we learned that private club members didn’t want stuffy, they wanted stylish, vibrant atmospheres. It was during that time that ClubCorp began reinventing its clubs—adding new dining and social amenities and elevating the focus on family.

Since then, we’ve created contemporary dining areas with booth and cabana banquette seating, multiple large-screen TVs, communal tables and temperature-controlled wine walls featuring member favorites. We extended outdoor patios and added lounge seating and fire pits. We changed the aquatics experience at many of our clubs, going from L-shaped pools and traditional pool furniture to, essentially, water parks—pools with waterslides, lazy rivers and splash pads and poolside cabanas with resort-style seating.

These new amenities are wildly popular with members. Many clubs truly have become the heartbeat of their communities, where, along with stylish new amenities, they offer robust calendars of events that include trivia and family game nights, wine and craft beer tastings, live music and sporting event watch parties.

Many clubs truly have become the heartbeat of their communities, where, along with stylish new amenities, they offer robust calendars of events that include trivia and family game nights, wine and craft beer tastings, live music and sporting event watch parties.

Our study gave us the vision of how to reinvent clubs, but that vision continually changes as the lifestyles of private club members evolve. Today, before ClubCorp invests in any club—whether an existing facility or new acquisition—we hold focus groups and talk with members about what they want from their club. Though every club has unique needs that better fit their members’ usage patterns, there are still common threads.

Health, wellness and fitness have become power players at clubs. Gone are the days when the club fitness center was comprised of a couple of treadmills and a stationary bike. Cutting-edge fitness equipment, the latest in fitness classes, spin studios, personal trainers and even virtual classes are now expected amenities.

Many of today’s golfers are looking for a different experience. They want challenging golf, but they also want to enjoy themselves and that is why we have added more short-game fun events, such as “Nine and Dine.” This spring we are introducing our first “Drive Zone,” a green grass golf entertainment range that features ball-flight tracking technology, gaming, music and more. At several clubs around the country, we are also bringing golf indoors and as entertainment, opening golf lounges that feature golf simulators and serve as social hubs.

Though we live in a world where social media rules, we need to remember that people still have a desire to connect with one another face-to-face on a level that harkens back to the club of the past. In those days, it may have been connecting over a cigar and a card game in the men’s locker room, while today it is side-by-side in a spinning class or wine tasting.

Throughout history, private country clubs have served as the community’s social center. That remains their purpose, but today’s members expect a different experience. For clubs to stay relevant, general managers and boards must listen to and observe their members, conduct research and then act. As the saying goes, if you don’t change with the times, the times are going to change you.

Tom Bennison is senior vice president of business development at ClubCorp, the largest owner and operator of private golf and country clubs. He can be reached at tom.bennison@clubcorp.com or visit clubcorp.com.
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WHILE A LION’S SHARE of the National Club Association’s (NCA) work focuses on federal legislative and regulatory policy matters affecting private clubs, that is not our only task. We also join the fray when it comes to state legislative and regulatory issues that work against private clubs.

For six months we have been working with clubs in New York and Maryland to halt property tax proposals that could have a significant negative impact on their bottom lines.

New York

In May of 2017, State Assemblywoman Sandra Galef (D) expressed a desire to fundamentally alter the way private club property across that state is assessed. When the legislative session began in January, she followed through on that plan.

The bill she introduced would allow local taxing units the right to assess a club’s property at its highest and best use rather than assessing it at a recreational or commercial use. Such a change could significantly increase expenses for clubs and result in job losses for club employees across the Empire State.

Upon hearing about the proposal, NCA reached out to member and nonmember clubs in New York to ensure they were informed and ready to engage in a fight.

New York clubs have been the target of these kinds of attacks before and the New York State Club Association (NYSCA) was created years ago to help combat them. With this new issue, NCA immediately reached out to the NYSCA, too. Its leadership team of Charles Dorn, Bob James and Randy Ruder were ready to take the fight to Albany.

With the NYSCA, we arranged for a statewide club call to discuss hiring local government relations specialists who could take our concerns to the state capitol and advocate on behalf of private clubs. Though lobbying is something NCA does every day on Capitol Hill, local government relations specialists can have a greater impact on state legislators than Washington, D.C., lobbyists.

Not surprisingly, there were several New York clubs that had members who worked in the government relations industry, easing the process of finding suitable firms that could handle our issue. NCA then led an interview process to select the one best able to handle our needs.

NCA then began assisting the NYSCA in raising the funds necessary to meet the contractual obligations required by the firm. We assisted in a direct mail campaign and through personal requests at New York club managers’ meetings to ensure the funds were collected. As a result, our lobbyists are educating leaders in Albany regarding the likely impact an increase in private club property taxes will have on club employees and the local economy.

Because State Assemblywoman Galef is the chairman of the Real Property Taxation Committee, it may be difficult to stop the bill from getting out of her committee; however, our efforts have shown some success. Recently, she postponed presenting the bill to her own committee—likely because she is getting feedback from committee members expressing...
some concerns—which means our message is getting through.

This will be a tough battle for New York clubs. However, NCA, our clubs and their members will continue to send emails and make calls to legislators opposing the bill. At the same time, our government relations team will continue to apply local pressure on members in the state capitol. Our goal is to stop this bill before it can do any fundamental damage to private clubs in New York.

Maryland

In Maryland, private clubs have encountered a similar issue as their colleagues in New York. At the end of last year, House of Delegates Member David Moon (D) began reviewing how club real estate in Maryland was assessed. For most clubs, the assessment process was based on a state law created to protect open spaces, reduce overdevelopment and protect jobs.

Under that law, clubs are entitled to enter into an agreement with the Maryland State Department of Assessment and Taxation (SDAT) that prohibits them from selling their land for development in return for a reduced assessed value of the club’s land. Moon believes this state law benefits clubs too much.

In an effort to hike taxes on clubs, Moon introduced legislation that targeted facilities located in Montgomery County, Maryland. As a bedroom community of Washington, D.C., this county has some of the highest land values in the state. Nearly all the clubs residing in Montgomery County had entered into agreements with the SDAT. So, Moon’s initial bill would have had a devastating impact on those clubs.

As Moon announced his plans, NCA began communicating with our local clubs in that county to organize and create our own plan. Unlike New York, there was no Maryland State Club Association, so we worked with local general managers to create the Maryland Coalition of Concerned Clubs, with Brian Pizzimenti of Woodmont Country Club as the chairman.

With the coalition started, we then focused on securing the local government relations team that could communicate our concerns in Annapolis. We selected a firm whose lead lobbyist is not only a former Maryland state senator but also the author of the very law Moon is trying to kill.

Because our government relations firm is intimately knowledgeable with the law and what it took to pass it, we also know what arguments were used to try to defeat it when it was first proposed. In addition, the firm has the local expertise to know exactly what pressure points can be used on members and which members of the legislature to avoid altogether.

With a coordinated effort of lobbying by our team, club member emails and club staff making in-person appearances at hearings, our coalition was able to turn back the Montgomery County bill. Unfortunately, Moon has decided to alter the legislation and make it applicable to all clubs in Maryland.

His bill now stipulates that any private club may still enter into an agreement with the SDAT, but the new assessed value will be 1 percent of fair market value. For most clubs, this would be an exponential increase in assessed value and property tax liability. In addition, the bill would end all current SDAT agreements (regardless of their current end date) and limit new agreements to five-year terms.

Should this bill pass, a vast number of clubs would be unable to satisfy a hike in their property taxes. Some clubs have land assessed at $500,000 to $1M per acre, which would be a five- to ten-fold increase in their assessed value per acre. The commensurate increase in property taxes would lead to significant job losses as well as jeopardize many clubs’ existence.

With the legislature entering its final months, NCA and our coalition are pulling out all the stops to ensure the success we had with the local Montgomery County bill is translated to this statewide bill. Hopefully, our work and the work of our talented team in Annapolis will be enough.

Protecting All Clubs

For years, you have known NCA for the work we do on Capitol Hill. We are your voice in Congress and we are the place you turn to for information on federal issues affecting your daily operations. However, that is not all we do.

In both New York and Maryland, our efforts have allowed local clubs to be informed, engaged and active in the fight to stop anti-club legislation. We work to serve as a liaison between our member and nonmember clubs and the local government relations teams on the ground who help fight on our behalf. Finally, we have served as a sounding board and resource for all committed to helping us fight back against state bills like these.

At times, it may seem like the federal issues are always front and center. However, we are also mindful of the effect state initiatives can have on clubs, their employees and our industry. For that reason, we spend considerable time on those issues, too.

As these two examples show, NCA takes seriously its commitment to protect, defend and advance the interest and well-being of private social and recreational clubs. So, should you find a state issue that could cause harm to your club, don’t hesitate to let us know. Chances are, we are already working on it for you.

Brad Steele is NCA’s vice president of government relations & general counsel. He can be reached at steele@nationalclub.org.
Trusted by Neil Rooney

Neil Rooney, CCM, CCE

Neil is the current COO of the Scarboro Golf & Country Club and has held multiple leadership roles in the club industry. Whenever a question arises, Neil trusts Jonas to provide a solution.
Board Recruitment
Guidelines for an Effective Board Succession Plan

RATHER THAN PROVIDING informed and disciplined leadership, many private club boards ebb and flow with the moods of the membership. The result is often reactive and inconsistent leadership that disappoints club members. The solution is to develop board leadership in a deliberate manner that uses proven and respected leadership tools and a boardroom succession plan.

Proven Leadership Tools
The three primary tools that ensure high marks for transparency and trustworthiness are the club’s strategic plan, current board policies manual (BPM), and board-performance scorecard.

Strategic plans are a comprehensive description of the purpose, values, goals and objectives of the club. An effective strategic plan is not a capital expense roster, the annual budget or the club’s rules. An effective strategic plan for a private club is a 20- to 25-page description of the club’s future, which includes statements of vision, mission and core values. A good strategic plan analyzes the market segments for the club, its financial plans and intentions, and—of critical importance—the goals and objectives of the club.

Board policies manuals are five-part descriptions of how the board will attend to the club’s business. The best-performing club boards use the BPM for self-guidance and to inform the members of the processes and methods being used by the board. An effective BPM diminishes the ready-shoot-aim leadership style of so many clubs.

Board-performance scorecards are exactly that. Reporting on a quarterly basis, the scorecard makes the board accountable to the members by describing the three to five annual goals of the board on the left-margin vertical. Such descriptions may include “Increase net membership count by 3 percent annually” or “maintain 92 percent member satisfaction levels.” Across the horizontal axis of the scorecard is a quarterly profile for reporting the performance results.

Several important guidelines for using the performance scorecard effectively include:

- Report quarterly to the members using member-preferred media as well as reference within the board meeting notes;
- Review performance progress at board meetings as interim updates for board members; and
- Tell it like it is with no spin-doctoring or excuse-making. The board is either performing to plan or not.

Board Succession Plan
Who will be the next club leaders? How do the members know who leads most effectively? And, what are the consequences of inadequate succession planning? Most members want their clubs to “run like a business,” but effective businesses plan carefully and prepare future leadership resources that will be needed for the carefully drawn plans to succeed.

The leadership pipeline in most clubs flows through the club’s committee structure.

- Who will be constructively engaged?
- Who puts the needs of other first?
- Who is capable of working effectively within the club’s governance structure?
- Who can be relied upon to do the work and participate consistently?

An effective board succession plan must answer these questions based upon proven performance through the club’s committee structure. Trustworthy succession plans should include the following key points:

- The succession plan should be written and widely distributed to all members and reviewed in detail with all committee members. “If one wishes to take a seat on the club’s board, this is the pathway.”
- The theoretical construct of the board should be created to address such board needs as accounting, finance, legal and risk management priorities. Of equal importance should be communications, member recruitment and retention, and brand management. These are capabilities that club boards require either internally or through the club’s committee pipeline. The board must record what skill-sets are needed to successfully lead the club.
- Effective succession must address the transfer of authority and accountability from board to board.

Board recruitment in clubs requires advance planning and the proper tools for recruiting servant leaders who will lead the club into the future.

Henry DeLozier is a principal at Global Golf Advisors, a Legacy Alliance Partner of the National Club Association, and an international club management consulting firm that provides specialized services to more than 2,700 clients from offices in Toronto, Phoenix and Dublin (IR). He can be reached at hdelozi@globalgolfadvisors.com or visit globalgolfadvisors.com.
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100 New Things

IN THE CLUB WORLD, inspiration for new services, programs, events and facilities can be drawn from many sources and directions, taking various shapes, styles and forms. At the Detroit Athletic Club (DAC), we are often inspired by hearing our members’ ideas and responding in a way that sustains and builds satisfaction.

Staff also play a key role adding their desire to inspire through clear, thoughtful goals and direction. Gaining greater knowledge from what other clubs are doing helps us constantly focus on new ways of creating magic for our members. That’s actually one of the unique aspects to the DAC’s young “100 New Things” program which began in earnest last year.

Originally inspired by Michael Leemhuis, CCM, CCE, and his team from Ocean Reef Club, in Key Largo, Fla., which had created their own new ideas campaign, the DAC’s 101 New Things project quickly sprang into action in the summer and fall of 2017. Today it sees new initiatives being considered or launched under its overarching umbrella on a monthly basis.

Following a visit to Ocean Reef Club by the DAC board of directors and Executive Manager Ted Gillary, CCM, CCE, the new program soon took form from the initial ideas of the club’s returning leadership, then ramped up across the organization with the staff’s direction to think outside of the box and catalog their efforts. While some of the services, products, programs and other activities had already been taking shape during the past year, this initiative combined everything under a unified marketing and communications approach to add depth and clarity for members to understand what is being offered. The program has several major focus areas: DAC-branded products, dining events and activities, general club events, and athletic programming and wellness.

The first step involved gathering all of the information on what was “uniquely DAC” in the past year as well as identifying upcoming initiatives and, eventually, brainstorming new things we could implement quickly and successfully.

Products

Many clubs have logo-based products and accessories, and the DAC is no different. Not long ago the DAC cemented relationships with several local breweries to create three of our own craft beers for the clubhouse. They are available both in bottle (with uniquely in-house designed labels) and on tap at several clubhouse locations. The DAC also connected with a local distillery to develop a custom DAC bourbon for members’ exclusive use. This beautifully bottled bourbon was launched in the summer of 2017 to a packed members-only audience in our Tap Room and nearly 100 bottles have been enjoyed by members.

Another inspiration came from the club’s 100th president, Pat O’Keefe, to partner with a winery to create a commemorative wine as a part of 100 New Things. Called “Century’s Finest” in honor of his presidency, it was the second wine developed by the DAC. The previous “centennial” wine just recently sold out.

Selling products through our Madison Café has given the DAC many opportunities to learn how to develop and market its own coffee, ice cream, line of spices and other DAC “signature goods.” The DAC’s “Last Word” cigars, named in honor of the cocktail created at the club in 1916, has been around for several years. However, once the 100 New Things product marketing initiated, sales really soared. To date the DAC has sold nearly 8,000 of these special cigars.

Special Events

Connecting with some of our product partners led to exclusive “winemaker” events in our Grill Room, weekly live music in our Tap Room and Stadium Club, which also began hosting events connected to major sporting activities such as the Kentucky Derby, the NCAA’s March Madness and the Super Bowl. Themed Tap Takeovers are now a regular feature of the Stadium Club and the Last Word cigar lounge.

As with many clubs, events at the DAC are one of the most important benefits of membership. The catering and special events team, working closely with a member activities committee, constantly re-invents the club’s calendar with new and exceptional activities, some of which began under 100 New Things and will continue this year and likely beyond. There are cabaret music events, kids theater in our main banquet room, tequila tastings in our outdoor pavilion, live artist presentations on summer nights, bring your dog to the club days, tours and excursions throughout Detroit and even events along the Detroit River where members can enjoy a paddle trip around Belle Isle. Outside the city, our wine society hosts special dinners and trips to other parts of the U.S. and Europe.

continued on page 12

By Ken Voyles
Wellness and Athletics

Health and wellness is extremely important at the DAC, and 100 New Things brought fresh programs to this area as well. The club’s historic barbershop is now the Signature Salon, offering a wide range of services for men and women never before seen at the DAC. The Tranquility Spa regularly adapts and adds services and products, and the growing interest in fitness classes has led to some new sessions on “glow” boxing, partners yoga, tai chi and more.

The DAC has developed a member-inspired hockey program, a Madison Milers running group, a new pickleball night, swimming basketball for women, youth squash training and youth bowling. Bike rentals are available for members who want to explore Detroit. There is a new “edge-style fitness challenge” for members looking for a competitive weight-loss program, health lectures and soon some new healthy cooking events.

Ultimately, bringing together this litany of ongoing innovations is as much about marketing and communications as executing the product development, event creation or facility improvement (the DAC recently renovated its business centers into one of the most innovative spaces in the clubhouse). The keys to success rely on identifying needs and thinking outside of the box for creative solutions, developing and implementing new programs or products, and sharing the results via social media marketing to members and constantly refining your communications.

In that way, we can inspire members to think about new things they want, energize our staff to innovate and help our leadership achieve the results they are looking for—a satisfied, engaged, vibrant membership.

Ken Voyles is the director of communications at the Detroit Athletic Club. He can be reached at kenv@thedac.com.
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The Future Looks Family Focused

Distinct Opportunities for Private Clubs

WE ALL KNOW that focusing on family is becoming a more important factor in the private club world—in fact, we've been headed in this direction for years. But what does the new family focus really mean for today's clubs? Are we hoping to attract countless new members in their twenties with young children? That might be nice, but it's not entirely realistic. So what's driving this need to adapt?

The phrase "young family" often meant a couple in their twenties: Two young children, a starter home in the suburbs, and in the early stages of their career. This obviously isn't the typical profile for membership to a private club, but if we take into consideration the changing factors impacting younger generations, the typical profile of a "young family" begins to change.

Studies show that Generation X, and millennials even more so, are waiting longer to have children than previous generations. The result of this change is that parents with young children are no longer in their early twenties, they're in their mid-thirties or even forties. They have established careers, diverse interests and less free time to pour into their non-child-related activities.

With so many clubs interested in filling the void that retiring baby boomers will leave in the years to come, the foregone conclusion that this gap will be filled by similar persons in their mid-thirties and forties now brings a lot of new considerations.

In my own case, a typical weekday evening often consists of a 40-minute commute home from the office, picking up dinner and dropping off dry cleaning all before crossing the threshold. Upon arriving at home, I'm on baby-duty while my wife fits in a workout, and when she's back we switch, and it's my turn to hit the gym. Then comes dinner, putting the baby down for the night, and if we're lucky, 20 minutes to ourselves before we do it all over again.

So, why is my typical routine relevant? Because to the new generation of "young" families, the amenities that become most important are sometimes the most basic. If your club, like so many others, is interested in attracting the new breed of young families, then ask yourself if you're able to place a checkmark beside each of the items listed in my example of a typical evening. Does your club offer amenities such as fitness and family dining, and what about special services such as child care, after school tutoring or even dry cleaning?

The philosophy of "build it and they will come" may sound simplistic, but having amenities such as these are at the core of how and where young families choose to spend their discretionary income. In fact, studies have shown that nearly 80 percent of 22- to 38-year-olds would choose to spend money on an experience versus buying something desirable.

This is where clubs have a distinct opportunity; unlike most businesses that focus only on a single area of interest, clubs have a long history of operating multiple experience centers under one roof. It's because of this all-in-one concept that private clubs have the opportunity to become the focal point in their members' lives, offering the experiences that young families crave, instead of hoping to be an add-on to an already busy life.

Trevor Coughlan is director, marketing & product management at Jonas Club Software. He can be reached at trevor.coughlan@jonasclub.com.

Editor's note: In the next issue of Club Director, Coughlan will expand on the concept of how clubs can become the family activity and experience hub by examining other industries that have begun making these changes, and will highlight some examples of how forward-thinking private clubs are branching out to create unique offerings.
As more clubs continue to face legal concerns due to the improper classification of caddies, CADDIEMASTER® has developed a non-invasive, effective and inexpensive solution called CADDIEMASTER CONNECT. Through CADDIEMASTER CONNECT, CADDIEMASTER provides the club the ability to more efficiently arrange and provide caddie services to its members and guests. CADDIEMASTER will also serve as your club’s intermediary, assuming the tax and legal liabilities of your in-house caddie program. There’s no change in management. Your caddies continue to be paid directly by the players. They simply become contractors of CADDIEMASTER, indemnifying your club against common liabilities.

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PREVENTING LEGAL RISK

Often at the forefront of club legal challenges are issues such as overtime, the Waters of the U.S. rule and health care, among others, that may mean wholesale changes to club operations. However, other issues that appear innocuous in comparison can be equally harmful and put your club and its brand at serious risk. The National Club Association invited associate member attorneys to address legal thorns that can affect clubs. Fortunately, these issues can be mitigated with proper due diligence.

With the wide range of programs and amenities being offered to members and facilitated by an amenable staff, these issues can arise at clubs at any given moment: an employee may sexually harass a colleague and jeopardize the club legally and financially; a member may drink excessive amounts of alcohol to meet their F&B minimum and consequently put lives in danger; a member and their significant other may go their separate ways highlighting holes in club bylaws; and much more.

These issues may seem less pressing than the laws and regulations discussed more frequently in the news, however, they are equally able to disrupt the club. Club leaders should prepare for the occurrences showcased in this article by reviewing their legal documents, handbooks and rules to stay ahead of any issues.
Some private clubs currently impose a monthly food and beverage minimum, while other private clubs impose only a food minimum on club members. Including alcohol beverages in a private club’s food and beverage minimum may expose such clubs to legal issues, like dram shop liability and violations of pricing and prohibited inducement regulations.

Most states have dram shop laws that impose liability on private clubs, bars, restaurants and other licensed establishments that knowingly sell and serve alcohol beverages to underage persons, habitual drunkards or visibly intoxicated persons who subsequently cause injury to third-parties or property, as a result of alcohol-related accidents. Some of these states strictly apply a statutory standard, while courts in other states have expanded dram shop liability restrictions. Even in states without dram shop laws, plaintiffs may bring suit based on negligence.

The fact that a private club includes alcohol beverages in their minimum does not trigger dram shop liability. However, combined food and beverage minimums may encourage some club members to excessively consume alcohol, especially when it is impractical for members to reach the minimum solely through food purchases. Some courts have assumed constructive knowledge of intoxication based solely upon the amount of money a patron spent on alcohol beverages. If, for example, a member finds themselves a few hundred dollars short of their monthly minimum commitment, a private club could be considered on notice of intoxication if the member makes up the difference by purchasing four bottles of wine in one sitting, even when the private club claims to not have observed signs of visible intoxication.

Private clubs should also consider the applicable state’s pricing and prohibited inducement regulations when setting their minimums. Pricing regulations restrict the retail prices at which alcohol beverage products are sold to consumers. For example, some states do not permit or restrict package deals, discounted pricing, and the sale of two drinks for the price of one drink. Prohibited inducement regulations generally forbid any practice that encourages excessive consumption of alcohol beverages. Specifically, some inducement regulations prohibit any promotion that requires the purchase of alcohol in order to receive a gift, premium, entrance or anything of value. States with inducement laws may determine that requiring the payment of a food and beverage minimum in order to hold a club membership is an unlawful inducement.

Prohibited inducement regulations generally forbid any practice that encourages excessive consumption of alcohol beverages.

Before establishing or maintaining a minimum that includes alcohol beverages, clubs should consult with an attorney who specializes in alcohol beverage compliance to ensure that the monthly food and beverage minimum does not unreasonably expose the private club to liability and is not considered an unlawful pricing practice. Specifically, private clubs should:

- Require certified responsible vending programs for employees that serve alcohol beverages;
- Obtain appropriate liquor liability insurance;
- Understand the liability standard for the applicable jurisdiction;
- Create operating policies on screening minors, identifying intoxicated persons and habitual drunkards, and establish steps on how to proceed if any such person is identified; and
- Evaluate current or anticipated food and beverage minimums to confirm compliance with pricing and inducement regulations.

With proper guidance and tools, private clubs can keep alcohol beverage liability and agency enforcement at a minimum.

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Consider this scenario: A member joins, puts the club membership in his personal name (as opposed to a trust) and, after years of happy membership, passes away, leaving three children as joint and equal heirs. The kids don’t want the club to send a check made out to the estate (for many reasons, including that they did not reach out to the club until they had closed the estate or because all the other assets were in the member’s trust and so no probate was required). Now, the club is faced with a demand to write the refund check to one or all three of the children. The kids want the club to rely on their representation that they are the sole heirs and there are not creditors with a better claim to the money.

Or perhaps you are a “mandatory membership” community, where title to the home and the membership are required to be titled alike. Member buys the home and membership in his own name, and later puts the home into his trust. He forgets about the membership. Then, a scenario similar to the above occurs. Only, here, the kids sell the house (via the trust) and the club is not sure to whom it should cut the refund check.

Or perhaps you are not mandatory membership, but the documents say the “member” can transfer the membership with the sale of the home in the community but, due to the member moving the home into the trust as described above, the “member” on the membership no longer owns a home and therefore cannot transfer the membership with the home.

One way or another, most clubs face situations like these at some point. What can the club do in advance to avoid as many of these situations as possible? A single-page information sheet can be given to members when they join that explains what they can do and what not to do (the examples above). This sheet might list the requirements (membership and home must be titled the same if you want to transfer your membership with your lot). The club might allow the member to provide a letter that directs to whom the refund check should be cut in the event of the member’s death. Before taking these steps, check your club documents (do the bylaws allow ownership by a trust with designation of the trustor as the member?) and check with the club’s counsel on what details should be included in any forms signed to affect these status clarifications or estate planning directives.

The club cannot force the member to do the correct thing (and often their estate planning attorney is unaware of how memberships work and might be located in another state). However, the club saves itself and its members much aggravation, and possibly expense, if it helps members understand from the outset how best to document their intentions regarding their membership refund.

Robyn Nordin Stowell is with Sherman & Howard in Scottsdale, Ariz. She can be reached at rstowell@shermanhoward.com or 480-624-2736.
he recent heightened awareness to sexual harassment issues affects a wide range of industries, and has prompted employers to consider ways to get ahead of the problem. In order to reduce the risk of such complaints, private clubs may take a number of proactive steps.

**Anti-Harassment Policy:** Clubs should develop a zero-tolerance policy against harassment that includes, at a minimum, the following elements:

1. Expressly prohibit any sexually harassing or inappropriate behavior by staff or members toward employees, guests, members or patrons.
2. Define sexual harassment, making clear that it includes inappropriate relations, touching, and communication (i.e., emails, phone calls, text messages, or messages through social media).
3. Firmly state that any individual (staff or members) found to have engaged in sexually harassing behavior will be subject to discipline and/or immediate dismissal or expulsion.

**Complaint Procedure:** Clubs should require all employees—victims and bystanders—to report any instances of inappropriate behavior, sexual or otherwise, they experience or observe, and should encourage guests, members and patrons to do the same. The complaint procedure should be communicated to the employees, members, guests and patrons, and should include multiple channels to report a complaint of sexual harassment. This is because an individual may not be comfortable, in certain circumstances, making a report of harassment at all. (For example, an employee may be reluctant to approach his or her immediate manager because the manager may be the offending individual). Available avenues may include the general manager of the club, another designated manager who does not directly oversee or regularly interact with staff or members and guests, a human resources representative or a compliance officer.

**No Retaliation:** Clubs should state clearly in the policy they will not tolerate retaliation against any individual who makes a report of harassment, provides information concerning such actions or opposes any action that violates the zero-tolerance policy against harassment.

**Training and Reinforcing Professionalism:** Clubs should consider how to communicate that policy to their employees, members and guests. Clubs should make the anti-harassment policy and complaint procedure readily available for review. They should also train employees on workplace harassment, including explaining what sexual harassment is, affirmatively stating that employees have a right to a harassment-free workplace, and reviewing the zero-tolerance policy and complaint procedure. Training should be mandatory and provided to all employees at least on an annual basis; for managers, separate and more frequent training is important in order to educate managers and supervisors about how to identify sexual harassment and handle complaints or reports of harassment. With respect to nonemployees, clubs should maintain a policy requiring strict professionalism at all times, particularly in the context of private clubs, where a social setting may tempt employees, members or guests to engage or interact with each other in a more casual manner. Regularly reiterating that inappropriate jokes or comments, obscene gestures or insults and inappropriate touching are prohibited in all circumstances will help reinforce the zero-tolerance policy against harassment.

**Swift and Effective:** Clubs should take all complaints or reports of harassment seriously, regardless of how or from whom received, and should act promptly to review and thoroughly investigate all such complaints. If the investigation shows the complaint to be valid, the employer’s response should be swift and effective.

There are variations on how any owner/operator chooses to address the risk of sexual harassment on its property. The above elements, however, are key steps clubs may take now to avoid the potential #MeToo firestorm from landing at their doorstep.

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Copyright law of the United States, Title 17 of the United States Code (17 U.S.C. §§ 101 et seq.), governs how copyrighted materials may be publicly displayed. Specifically, the public performance of a Hollywood-produced movie at a club is subject to the control of the owner of the copyright in the audiovisual work (i.e., the movie), and generally requires the club to obtain a license.

The issue of when and how a club can show movies to its members is one that often arises. A common misunderstanding is that a private club, not generally open to the public, does not have to obtain a license to show a movie to its members. Another popular mistaken belief is that if a club does not charge a direct admission fee to view the movie, then no license is required. However, these misconceptions are generally not true.

The Copyright Act defines public performance as the performance or display of a work at “a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” For the purposes of copyright law, a private club is considered a semipublic place if its members are comprised of more than just a particular family and a tight circle of that family’s social acquaintances. Therefore, whether an audiovisual work is displayed in a public or private club, it is still considered a “public performance” of the work under U.S. copyright law, and is subject to copyright control and licensing.

Fortunately, there is an easy and relatively inexpensive way for a club to obtain proper licensing to show movies to its members and/or the public at large. Specifically, there are three main agencies that specialize in non-theatrical film distribution and licensing: Swank Motion Pictures, Inc. (swank.com), Criterion Pictures U.S.A. (criterionpicusa.com), and The Motion Picture Licensing Corporation (mplc.org). Together, these three agencies cover public performance licensing for a wide range of popular movies and offer their customers various options to lawfully display a movie at a nontheatrical venue, including clubs. Therefore, if your club is interested in showing movies to its members, obtaining proper licensing from one of these agencies is a best practice to avoid copyright infringement.

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On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law, and it amended, among other things, the unrelated business taxable income (UBTI) provisions applicable to tax-exempt organizations effective for tax years beginning after December 31, 2017. The Act contains a requirement that each trade or business activity of a tax-exempt organization, including a tax-exempt social club, be separately computed in determining UBTI.

**The Act: IRC Section 512(a)(6)**

An exempt organization with more than one unrelated trade or business can no longer aggregate the income and deductions from all unrelated business activities in computing its UBTI. The Act added Internal Revenue Code (IRC) Section 512(a)(6) that requires exempt organizations with one or more unrelated trades or businesses to compute UBTI separately with respect to each unrelated trade or business, including for purposes of determining any net operating loss deduction.

IRC Section 512(a)(6) provides, in part, that in the case of any organization with more than one unrelated trade or business:

- **a)** Unrelated business taxable income, including for purposes of determining any net operating loss deduction, shall be computed separately with respect to each such trade or business; and
- **b)** The unrelated business taxable income of such organization shall be the sum of the unrelated business taxable income so computed with respect to each such trade or business.

Simply stated, the Act requires tax-exempt organizations conducting more than one unrelated trade or business to calculate UBTI separately for each unrelated trade or business. This practice effectively prohibits using losses arising from one specific unrelated trade or business to offset income from another unrelated trade or business. A key unanswered question under the Act is which activities may be considered a singular unrelated activity for purposes of calculating UBTI? Regrettably, the Act does not stipulate what makes up a separate unrelated trade or business.

**Pre-Act Law and the Club**

To some extent, tax-exempt clubs, pre-Act, segregated investment income and nonmember income in determining their UBTI. For example, a social club operated a food and beverage concession for nonmembers, and it consistently sold food and beverages at prices insufficient to cover the cost of sales. Would the social club deduct from its net investment income losses incurred on sales of food and beverage to nonmembers? No, a tax-exempt social club’s sales of food and beverages to nonmembers, which were determined to not be profit motivated because its prices were insufficient to recover costs, could not, in determining its UBTI, reduce its net investment income by the losses from these nonmember sales.

**The Act and the Club**

While the nonmember losses, as a general matter, could not be deducted from investment income pursuant to Revenue Ruling 81-69, the computation of UBTI under the Act is in flux. As we previously noted, the Act requires exempt organizations conducting more than one unrelated trade or business to calculate UBTI separately for each unrelated trade or business, but the Act does not stipulate what makes up a separate unrelated trade or business.

- **Investments**—unrelated business income from investments, such as stocks, mutual funds, bonds, alternative investments and partnerships. Will the Internal Revenue Service (IRS) require that the unrelated business income of each category of investments to be separately computed?
- **Rental income**—unrelated business income from nonmember rental income. Will nonmember overnight room rental activities have to be separately considered from cell tower rental activities?
- **Nonmember revenues**—unrelated business income from nonmember greens fees and food and beverage activities. Will the IRS require that the unrelated business income of each category of investments to be separately computed from food and beverage activities?

These are interesting questions without definitive answers. How should clubs proceed? Clubs generally do a fine job with their record keeping with respect to revenues and expenses. We recommend that they continue doing so.

**Treasury Regulations: New UBTI Inclusions**

Treasury regulations are expected to be promulgated for purposes of providing guidance with respect to the new UBTI inclusions. That being said, the regulatory process typically does not occur at a rapid pace. It is imperative to remain vigilant with respect to monitoring IRS regulatory advisories.

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As the U.S. Department of Labor (DOL) appears to have relaxed its employee protective policy-making and enforcement efforts that grew during the Obama administration, increasingly states and localities have enacted their own, often more protective, employee-protective laws, rules and regulations. To ensure full wage and hour compliance, private clubs should consult their HR specialists and employment counsel and be mindful of all state and local requirements in each jurisdiction in which they operate and employ workers. Here are just some of the recent wage and hour requirements that have gained popularity among multiple jurisdictions.

Minimum Wage Increases
Currently, 29 states and the District of Columbia have minimum wage rates higher than the federal minimum wage of $7.25 per hour. In 2018, 18 states increased their minimum wages.

In addition, approximately 40 cities maintain minimum wages that are even higher than their state counterparts. For example, Chicago requires its employers to pay employees $12 per hour, which is significantly higher than Illinois’ minimum wage of $8.25 per hour. Other cities have tiered minimum wage rates based on factors like an employer’s size.

So far, no state has reached a $15 per hour minimum wage. However, Washington, D.C., and California already have laws setting $15 per hour rates to take effect in 2020 and 2022, respectively. Bills in other states propose a gradual increase to $15 per hour, including in Maryland, Wisconsin, Indiana and Virginia. At the city level, owners/operators who employ workers in New York City face a $15 per hour minimum taking effect at the end of 2018. Some of these proposed laws involve tiered minimum wage rates, which would take into effect location, size and/or industry.

State Enhancements to Overtime Exemption Qualifications
The federal Fair Labor Standards Act (FLSA) exempts employees from overtime requirements if certain job duties and salary requirements are met. The executive, administrative and professional exemptions (EAP exemptions) are most common. To qualify for an EAP exemption, an employee must perform certain qualifying duties and be paid a salary of a minimum threshold amount. The current federal annual salary threshold is $23,660 ($455 per week), although a higher threshold, $47,476 per year ($913 per week), was scheduled to take effect in December 2016 and currently is on appeal. Most recently, the DOL has announced it is considering new rulemaking to increase the current $23,660 salary threshold to an amount more modest than the previously proposed $47,476.

Several states and localities, meanwhile, maintain more stringent minimum salary thresholds. In California, for example, the minimum salary threshold is $880 per week, while in Connecticut the minimum salary threshold is $475 per week.

Enactment of Daily Overtime Laws
The FLSA requires employers to pay nonexempt employees at a rate of 1.5 times an employee’s regular hourly rate of pay for all hours worked beyond 40 hours in a week. Once again, several states have gone even further, requiring employers to pay nonexempt employees at an increased rate for hours worked beyond 8 hours in a day.

For example, California requires employers to pay employees 1.5 times the employee’s regular rate of pay for hours worked beyond 8 hours in a day, and two times the employee’s regular rate of pay for hours worked beyond 12 hours in a day. In Colorado and Alaska, employers are required to pay employees 1.5 times the employee’s regular rate for hours worked beyond 8 hours in a day, while in Nevada employers must pay employees 1.5 times the employee’s regular rate only for hours worked beyond 12 hours in a day.

On-Call and Call-In Laws
Certain states require that employers compensate employees who are on-call or not previously scheduled to work. In Illinois, employers are required to pay employees for time spent “on-call,” even if away from the employer’s premises, but only if the time spent is “predominantly” for the benefit of the employer. New York employers must compensate employees who report to work but then are sent home early. Specifically, employees who report to work at the employer’s request must be paid for a minimum of 4 hours at their regular rates of pay.

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If married spouses divorce (and in some states, such as California, when registered domestic partners terminate their partnership), a court order tells the spouses and third parties who gets which assets. Not so with “significant others”—people who live together as a couple or family unit but do not have legal status as a legal unit.

If you allow club privileges to your members’ “Significant Others,” then it is statistically likely that the couples will break up at some point in the future. If they do, the club might be pulled into their disputes about who owns the memberships. Other issues that may arise include whether Significant Others can serve on club committees or the board or similar questions.

To avoid these challenges, first check to see what the club by-laws say about Significant Others. Do they state that Significant Others have the privileges of a “spouse?” Or do they say an unmarried member can add a Significant Other as a sort of “permanent guest” who is not required to be accompanied? Your documents should be clear about the Significant Other’s specific role. Generally, the Significant Other should have “use privileges” that can be revised by the member or the club. They should not have “rights.”

When Significant Others Break Up
How To Keep The Club Out Of The Fight

By Robyn Nordin Stowell

Employing Foreign Nationals
H-2B Visa Challenges Affecting Clubs

By Keith Pabian

In the current times of such low-unemployment, more clubs are turning to foreign nationals to meet their staffing needs, with clubs nationwide considering visa sponsorship. In short, visas are not just for Cape Cod and Florida anymore. Below are some of the legal challenges affecting clubs in 2018.

Summer-Season Employer H-2B Cap Issues
By law, the government can only issue 66,000 H-2B visas annually (33,000 from October 1 to March 31 and 33,000 from April 1 to September 30). H-2B visa workers transferring from one organization to another in the U.S. (such as a server transferring from a Florida resort to a New England private club) are exempt from the H-2B numerical cap. Once the H-2B cap is reached in each half of the fiscal year, employers are no longer able to bring in H-2B workers from outside the country and instead can only file for workers transferring directly from an opposite-season employer.

Because there are more H-2B petitioners requesting workers for the summer months, the H-2B visa cap is a much bigger issue for summer-season employers. This has led to a major increase in summer-season employers filing their H-2B petitions on April 1—the first day that the second half of the season opens. The Department of Labor (DOL) reported that the agency received 4,498 applications covering more than 81,000 workers on the first day possible for an April 1 start date, three times more than last year.

The Effect on Winter-Season Employers
With this increase in volume, not all summer-season organizations will be able to bring in workers from outside the country before the cap is reached. One solution is to staff the club by recruiting H-2B workers currently employed at winter organizations that are exempt from the numerical cap. Of course this makes winter-season H-2B workers in much higher demand than in previous years.

If a club currently employs H-2B workers that normally return to their home countries after the employment period, summer employers may instead inquire about transferring workers to their club for the summer. As long as the employment dates for both clubs...
are compatible, H-2B workers are able to transfer back-and-forth from winter to summer H-2B clubs for up to three years. After three years, they are required to leave the U.S. for three months in order to “reset their three-year clock.”

These arrangements can be beneficial for all parties involved because they allow for more consistent year-to-year staffing plans, can lower transportation costs for both clubs (employers are not required to pay for outbound transportation if the workers are transferring to another H-2B employer), and provide the opportunity for the workers to be employed in the U.S. throughout the entire year instead of only a portion of the year.

**Nationwide Increase in H-2B RFEs, NODs and Denials**

The Trump administration’s focus on the U.S. immigration system has led to a nationwide increase in Requests for Evidence (RFEs) from USCIS and Notices of Deficiency (NODs) from DOL. Some reports estimate that petitions are receiving NODs and RFEs on upwards of half of the petitions filed. These governmental requests can delay the H-2B process by several weeks, and in some cases months. Importantly, denials in the hospitality industry are also occurring for the first time. These government requests, combined with increased scrutiny on petitions, make it more important than ever to work with a law firm familiar with H-2B visas on your petitions.

**H-2B Audits**

The Trump administration has also increased the number of random H-2B visa audits across the hospitality industry. In prior years, our practice averaged one or two audits per year. Since President Trump took office, however, more than two dozen H-2B visa audits have occurred with our clients.

The audits generally request evidence of compliance with H-2B regulations, including several months’ worth of payroll documentation and explanations of why the employer failed to comply with regulations. While the government has occasionally issued Requests for Supplemental Information to ask for additional and clarifying information following its review of initial audit responses, we are seeing these audits resolved with no fines issued. However, even though the government has identified some violations without issuing fines, we expect increased scrutiny of future H-2B applications for employers found in violation of H-2B regulations as a result of these audits that could lead to substantial fines. Audits for our Florida and Arizona clients arrived in large numbers in October and November, so it can be inferred that if the trend continues, audits will continue to arrive around an employer’s H-2B visa petition start date.

H-2B visas remain a wonderful staffing option for clubs. The process can be straight-forward, streamlined and relatively painless and the visas can result in real solutions to your club’s staffing struggles. The key, especially in the current political climate, is to always think about compliance while being mindful of the traps and pitfalls that could lead to government requests and denials.

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The member and Significant Other should sign club documents when the member joins and when the Significant Other is given privileges. The Significant Other also should sign documents that clearly acknowledge that he or she has no ownership or refund right in the membership, and that they are being added as a user only, and only so long as the member and club agree to continue those privileges. The Significant Other should acknowledge that the privileges can be withdrawn for any reason or no reason, and should agree that so long as the privileges are extended, both the Significant Other and the member are liable for all charges on the account. The member should acknowledge that he or she is responsible for the Significant Other’s behavior and charges, and that the membership can be suspended for the Significant Other’s violations of the club rules, etc. 🗨

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If you allow club privileges to your members’ “Significant Others,” then it is statistically likely that the couples will break up at some point in the future.
NEW

Club Technology Study

By Agnes DeFranco and Cristian Morosan

Technology Adding Value to Clubs

The Club Technology study was conducted with support by Hospitality Financial and Technology Professionals (HFTP®). NCA members will receive the full report in April 2018. Learn more about HFTP at hftp.org.
Following a study in spring 2017 on the state of club technology and timing of technology upgrades, this study concentrates on the criticality, value creation, usage and performance of club information systems and their features. In other words, this study explores how clubs view technology in helping them to create value for their stakeholders. With the guidance of the Club Advisory Council of Hospitality Financial and Technology Professionals (HFTP®), this study was developed throughout the spring and summer of 2017 and distributed to club professionals starting in October, including members of the National Club Association (NCA). It stayed opened until December 27, 2017 to gather the opinions from club professionals.

A total of 139 club executives participated in this study, with Florida (21%), California (9%), and New York (9%) being the top three states responding, closely followed by Pennsylvania (6%). Golf and country clubs were the majority (70%), with social and golf-only clubs making up the “others” category. Regarding membership, most clubs were medium in size, with either 301 to 650 (41%) or 651 to 1,000 (27%) members. The vast majority (99%) were private clubs and not for profit (91%) (See Table 1).

Table 1. Demographics of Responding Clubs

<table>
<thead>
<tr>
<th>Type of Clubs</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>Golf and Country Club</td>
<td>70</td>
</tr>
<tr>
<td>City/Athletic Club</td>
<td>11</td>
</tr>
<tr>
<td>Gated Community Country Club</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
</tr>
<tr>
<td>Yacht Club</td>
<td>5</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Number of Members</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 or fewer</td>
<td>10</td>
</tr>
<tr>
<td>301–650</td>
<td>41</td>
</tr>
<tr>
<td>651–1,000</td>
<td>27</td>
</tr>
<tr>
<td>Over 1000</td>
<td>22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>99</td>
</tr>
<tr>
<td>Semi-private</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit Orientation</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Profit</td>
<td>9</td>
</tr>
<tr>
<td>Not for Profit</td>
<td>91</td>
</tr>
</tbody>
</table>

The study had four major sections, one for each of the major systems used in clubs: Customer Relationship Management (CRM), Accounting, Website, and Security. These systems were also the most important ones to the accounting and technology professionals. For each of these four systems, four series of questions were asked: (1) the level of criticality of the features to the mission of the club, (2) how such features add value to the club, (3) how often were the features used by the clubs, and (4) whether the performance level of such features lived up to the expectations.

**Customer Relationship Management (CRM)**

The most used feature in CRM were listed alphabetically: Business Intelligence, Campaign Management, Dining Reservations, Event and Catering Management, Front Desk Management (clubs with guestrooms), Grab and Go (buy food at any location online or via phone), Marina Management, Membership Management, Point of Sale (POS), Spa Management, and Tee Time Reservations. Clubs executives were first asked whether they had such features in their CRM systems, and then they were asked to rate how critical each feature was to the mission of their clubs.

**Criticality.** Club executives first gave their opinions as to the level of criticality of each of these features within the CRM system (See Table 2a). On a scale of 1 to 5 with 3 being the average, only two systems, Grab and Go (2.49) and Campaign Management (2.95) were rated below 3. POS received the highest rating of 4.89, indicating its significance in daily club operations. Although Membership Management ranked second (4.50), there were three systems that can be considered as tied for the third place as they were only 0.05 apart (Front Desk at 4.28, Tee Time at 4.26, and Event/Catering at 4.23).

Table 2a. Criticality of CRM Features

<table>
<thead>
<tr>
<th>CRM Features</th>
<th>Critical Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Intelligence</td>
<td>3.83</td>
</tr>
<tr>
<td>Campaign Management</td>
<td>2.95</td>
</tr>
<tr>
<td>Dining Reservations</td>
<td>3.99</td>
</tr>
<tr>
<td>Event/Catering Management</td>
<td>4.23</td>
</tr>
<tr>
<td>Front Desk Management</td>
<td>4.28</td>
</tr>
<tr>
<td>Grab and Go</td>
<td>2.49</td>
</tr>
<tr>
<td>Marina Management</td>
<td>3.53</td>
</tr>
<tr>
<td>Membership Management</td>
<td>4.50</td>
</tr>
<tr>
<td>POS</td>
<td>4.89</td>
</tr>
<tr>
<td>Spa Management</td>
<td>3.71</td>
</tr>
<tr>
<td>Tee Time Reservations</td>
<td>4.26</td>
</tr>
</tbody>
</table>

Note: Critical scores range from “1” being not critical to “5” being most critical.

**Adding Value.** The opinions of whether each feature would help clubs to increase revenues, reduce costs, have no effect right now on neither revenues or costs, and would likely add value to the club in the future were recorded. Participants were also asked to check all answers that were applicable. Table 2b summarize the results. As there were different types of clubs in this study, some features were...
not applicable (such as tee time reservations for a non-golf club) to all clubs. The POS feature within CRM was ranked the highest in both increasing revenues and reducing costs. Therefore, when considering a new system, special care needs to be placed on the POS feature as it has a very positive effect in value creation in clubs. In addition, Business Intelligence had the highest rating of likely to add value to the club in the future. With all the e-commerce and data security issues, club executives were most forward thinking.

Usage and Performance. In terms of usage, club executives rated POS as their most used feature at a score of 4.83, which corresponded to the high critical rating. Membership Management, which was ranked second in criticality also ranked second in usage. However, Event/Catering Management came in third overall as opposed to Front Desk. All three features received rating scores greater than 4. As for performance, the most reliable feature club executives agreed to be performing as expected was POS at 4.25 out of 5, followed by Membership Management at 4.11, and Tee Time Reservations at 3.92 (See Table 2c).

CRM Summary
While the criticality scores reflect the importance of each feature, the usage scores are the true demand level and the performance scores denote the level of demand met. Ideally, the performance scores should be at par or higher than the usage scores, indicating that the features are performing as or higher than expected. In addition, both performance and usage scores should at least mirror the criticality scores, implying that when needed, the features would be present and would perform as expected. As such, the differences or the gaps between the scores are opportunities for improvements.

Table 2b. CRM Features and Value Added to Clubs

<table>
<thead>
<tr>
<th>CRM Features/Value Added</th>
<th>Don’t have this/not apply to my club (%)</th>
<th>Increase revenues (%)</th>
<th>Reduce costs (%)</th>
<th>Not affect revenues nor costs (%)</th>
<th>Likely to add value to club in the future (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Intelligence</td>
<td>29</td>
<td>19</td>
<td>22</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Campaign Management</td>
<td>47</td>
<td>23</td>
<td>11</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Dining Reservations</td>
<td>10</td>
<td>41</td>
<td>23</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Event/Catering Management</td>
<td>11</td>
<td>55</td>
<td>18</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Front Desk Management</td>
<td>73</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Marina Management</td>
<td>90</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Grab and Go</td>
<td>55</td>
<td>23</td>
<td>4</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Membership Management</td>
<td>5</td>
<td>41</td>
<td>18</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>POS</td>
<td>1</td>
<td>52</td>
<td>30</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Spa Management</td>
<td>78</td>
<td>11</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Tee Time Reservations</td>
<td>35</td>
<td>36</td>
<td>17</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

Note: Totals may be more than 100 percent as participants were asked to check all answer options that apply.

Table 2c. CRM Features Usage and Performance

<table>
<thead>
<tr>
<th>CRM Features</th>
<th>Usage Score</th>
<th>Performance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Intelligence</td>
<td>2.99</td>
<td>3.34</td>
</tr>
<tr>
<td>Campaign Management</td>
<td>2.47</td>
<td>3.12</td>
</tr>
<tr>
<td>Dining Reservations</td>
<td>3.94</td>
<td>3.77</td>
</tr>
<tr>
<td>Event/Catering Management</td>
<td>4.14</td>
<td>3.89</td>
</tr>
<tr>
<td>Front Desk Management</td>
<td>2.02</td>
<td>3.00</td>
</tr>
<tr>
<td>Grab and Go</td>
<td>1.98</td>
<td>2.86</td>
</tr>
<tr>
<td>Marina Management</td>
<td>1.90</td>
<td>2.63</td>
</tr>
<tr>
<td>Membership Management</td>
<td>4.37</td>
<td>4.11</td>
</tr>
<tr>
<td>POS</td>
<td>4.83</td>
<td>4.25</td>
</tr>
<tr>
<td>Spa Management</td>
<td>1.85</td>
<td>2.77</td>
</tr>
<tr>
<td>Tee Time Reservations</td>
<td>3.53</td>
<td>3.92</td>
</tr>
</tbody>
</table>

Note: Scores range from “1” being very rarely to “5” being very often for Usage, and “1” being strongly disagree to “5” being strong agree for Performance.

For all the features in the CRM systems, the biggest gap between criticality (blue) and usage (red) were found in Spa, Marina, and Front Desk Management features. These were acceptable gaps as not all clubs use of these three features. Therefore, while critical, these features might not apply to all clubs. POS, Membership Management, Event/Catering and Dining Reservations had the smallest gap-scores between usage and criticality. Thus, these four features were meeting the demand. Yet the performance scores of all four were slightly lower than the usage, and this is where vendors can contribute value to the clubs to eliminate the gaps.
Accounting

For the accounting system, 11 features were rated. Alphabetically, the features were: Accounts Payable, Budgeting, Financial Dashboard, Fixed Asset Management, General Ledger, Inventory Management, Membership Management and Accounts Receivable, Online Statements for Members, Payroll and Timekeeping, Purchasing, and Reporting.

Criticality. Of all the features offered in an accounting system, the most critical features were Membership Management and Accounts Receivable (4.94), General Ledger (4.93), and Accounts Payable (4.83) (See Table 3a). This finding should not be a surprise as these three functions affect the entire cash flow of a club and the accuracy and reliability of all accounting work.

Adding Value. When the amount of value the accounting features added to clubs were tallied, the three features that were rated most critical previously were all rated as the top three in adding value to the club. The one feature that was rated least was Purchasing. With 39 percent of clubs not having this system, and only 4 percent felt it would likely add value to the club in the future, purchasing was rated as the least critical feature. Membership Management and AR was ranked as the feature that helped increase revenues the most, while Payroll and Timekeeping was ranked decidedly as the one feature to help reduce costs (72%—highest rating in the entire study) (See Table 3b). While the General Ledger was seen as the second most critical feature, it was ranked as the least likely to affect costs and revenues. Indeed, the General Ledger is an indispensable financial accounting feature but perhaps not for managerial or cost control purpose. Finally, the feature club executives rated to most likely add value to clubs in the future was Financial Dashboard.

Usage and Performance. As expected, the three most critical features were also the three most used features, in a slightly different order with the General Ledger ranked first, followed by Accounts Payable, and then Membership Management and Accounts Receivable. It was also good to see that these three features also received the highest performance scores in the same order. However, there is a substantial difference, almost half a point in some cases, between the usage score and performance score, indicating that club executives, while satisfied and agree with the performance of the feature as expected, did not give the features the “5” or “strongly agree” rating (See Table 3c).
### Table 3c. Accounting Features Usage and Performance

<table>
<thead>
<tr>
<th>Accounting Features</th>
<th>Usage Score</th>
<th>Performance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>4.92</td>
<td>4.43</td>
</tr>
<tr>
<td>Budgeting</td>
<td>4.28</td>
<td>3.98</td>
</tr>
<tr>
<td>Financial Dashboard</td>
<td>3.50</td>
<td>3.63</td>
</tr>
<tr>
<td>Fixed Asset Management</td>
<td>3.19</td>
<td>3.60</td>
</tr>
<tr>
<td>General Ledger</td>
<td>4.93</td>
<td>4.52</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>3.21</td>
<td>3.32</td>
</tr>
<tr>
<td>Membership Management/ AR</td>
<td>4.86</td>
<td>4.36</td>
</tr>
<tr>
<td>Online Statements</td>
<td>4.46</td>
<td>4.35</td>
</tr>
<tr>
<td>Payroll and Timekeeping</td>
<td>4.54</td>
<td>4.02</td>
</tr>
<tr>
<td>Purchasing</td>
<td>3.13</td>
<td>3.24</td>
</tr>
<tr>
<td>Reporting</td>
<td>4.61</td>
<td>4.03</td>
</tr>
</tbody>
</table>

Note: Scores range from “1” being very rarely to “5” being very often for Usage, and “1” being strongly disagree to “5” being strong agree for Performance.

### Website

In today’s world of social media and the internet, a website is essential for any club to not merely have a virtual presence but also as a tool for communication between a club and its members. Thus, club executives were asked to rate the following seven features related to websites: Email Marketing, Mobile Apps, Networking (wired), Networking (wireless), Online Reservations, Social Media Management, and Website Content Editing.

**Criticality.** While the criticality scores for the features of CRM and Accounting were in the 4.8 to 4.9 range and as high as 4.94, the highest criticality score for Website was only at 4.46 for Website Content Editing. As the club industry is still very personal in nature, perhaps website technology is seen more as an add-on function instead of a necessity. Nonetheless, Website Content Editing was viewed as the most critical feature, followed by Wireless Networking at 4.33, and Wired Networking at 4.27 (See Table 4a).

### Table 4a. Criticality of Website Features

<table>
<thead>
<tr>
<th>Website Features</th>
<th>Critical Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email Marketing</td>
<td>4.26</td>
</tr>
<tr>
<td>Mobile Apps</td>
<td>3.88</td>
</tr>
<tr>
<td>Networking (wired)</td>
<td>4.27</td>
</tr>
<tr>
<td>Networking (wireless)</td>
<td>4.33</td>
</tr>
<tr>
<td>Online Reservations</td>
<td>3.93</td>
</tr>
<tr>
<td>Social Media Management</td>
<td>3.76</td>
</tr>
<tr>
<td>Website Content Editing</td>
<td>4.46</td>
</tr>
</tbody>
</table>

Note: Critical scores range from “1” being not critical to “5” being most critical.

### Accounting Summary

For the 11 features in the accounting systems, the usage scores and criticality scores are very close in eight. And for Financial Dashboard and Fixed Asset Management, the performance scores were higher than the usage scores. Therefore, these two features were performing at a higher score than they were being used. On the other hand, this also showed that the performance scores were not as high as the usage scores in ten features. Though the gaps were not sizable, again, they indicate opportunities for improvement. It might very well be that the features were performing and it was training that might be needed.
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Value Added. In terms of adding to or creating value for a club, the two features that were most absent were Social Media Management (27%) and Mobile Apps (26%). Interestingly, club executives also rated the same two features as most likely to add value to their clubs in the future. Email Marketing was seen as highly valuable in increasing revenues, reporting at a high of 67 percent, while Online Reservations was rating as the feature that helped reduce cost the most (24%). Both Wired and Wireless Networking were seen as not affecting revenues and costs, and yet they were ranked second and third of being critical (See Table 4b). Therefore, it is pertinent that the network in clubs has to work properly.

Usage and Performance. Mirroring the value-added scores, Network, both wired and wireless were rated as the top two features in usage and Wired Network also attained the highest performance score. Yet, only two of the performance scores were higher than 4, which was a point of concern and provided room for improvement (See Table 4c).

Website Summary
Of the seven features, all three scores were quite close except Social Media Management and Mobile Apps. It is a good sign that the performance scores of these two features rated higher than the usage score. This signals that the technology is present and

Table 4b. Website Features and Value Added to Clubs

<table>
<thead>
<tr>
<th>Website Features/Value Added</th>
<th>Don’t have this/not apply to my club (%)</th>
<th>Increase revenues (%)</th>
<th>Reduce costs (%)</th>
<th>Not affect revenues nor costs (%)</th>
<th>Likely to add value to club in the future (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email Marketing</td>
<td>6</td>
<td>67</td>
<td>16</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Mobile Apps</td>
<td>26</td>
<td>45</td>
<td>9</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Networking (wired)</td>
<td>6</td>
<td>21</td>
<td>20</td>
<td>47</td>
<td>5</td>
</tr>
<tr>
<td>Networking (wireless)</td>
<td>3</td>
<td>25</td>
<td>21</td>
<td>42</td>
<td>9</td>
</tr>
<tr>
<td>Online Reservations</td>
<td>13</td>
<td>50</td>
<td>24</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Social Media Management</td>
<td>27</td>
<td>32</td>
<td>9</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Website Content Editing</td>
<td>3</td>
<td>45</td>
<td>18</td>
<td>22</td>
<td>12</td>
</tr>
</tbody>
</table>

Note: Totals may be more than 100 percent as participants were asked to check all answer options that apply.
functioning, and it may be a matter of time before the criticality usage scores would increase to meet the performance scores.

Security
Finally, given today’s constant security risks, both physical and cyber security pose threats to any business, and clubs are not immune to that. Therefore, four features of security were rated in this study: Access Control, Data Warehousing, Video Analytics, Statistics and Reporting, and Video Surveillance.

Criticality. As seen in Table 5a, Access control to various rooms and space was ranked the highest at 4.41. Similar to website features, security features were also not rated as high in the 4.8 to 4.9 range.

Table 5a. Criticality of Security Features

<table>
<thead>
<tr>
<th>Security Features</th>
<th>Critical Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Control</td>
<td>4.41</td>
</tr>
<tr>
<td>Data Warehousing</td>
<td>4.24</td>
</tr>
<tr>
<td>Video Analytics/Statistics/Reporting</td>
<td>3.35</td>
</tr>
<tr>
<td>Video Surveillance</td>
<td>3.89</td>
</tr>
</tbody>
</table>

Note: Critical scores range from “1” being not critical to “5” being most critical.

Value Added. As expected and reflected in Table 5b, security features were never expected to help with increasing revenues but rather for safety reasons, and thus perhaps would be rated higher for reducing costs. None of the four features garnered a score of at least 10 percent for helping clubs increased revenues but video

<table>
<thead>
<tr>
<th>Website Features/Value Added</th>
<th>Don’t have this/not apply to my club (%)</th>
<th>Increase revenues (%)</th>
<th>Reduce costs (%)</th>
<th>Not affect revenues nor costs (%)</th>
<th>Likely to add value to club in the future (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Control</td>
<td>16</td>
<td>3</td>
<td>28</td>
<td>44</td>
<td>9</td>
</tr>
<tr>
<td>Data Warehousing</td>
<td>22</td>
<td>7</td>
<td>23</td>
<td>39</td>
<td>9</td>
</tr>
<tr>
<td>Video Analytics/Statistics/Reporting</td>
<td>40</td>
<td>8</td>
<td>19</td>
<td>28</td>
<td>6</td>
</tr>
<tr>
<td>Video Surveillance</td>
<td>19</td>
<td>3</td>
<td>40</td>
<td>32</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: Totals may be more than 100 percent as participants were asked to check all answer options that apply.
surveillance had a score of 40 percent in reducing cost, most probably in deterring theft. Yet, none of the security features was seen likely to add value to the club in the future, with all the ratings at less than 10 percent.

_Usage and Performance._ With low criticality scores, it could be anticipated that the usage scores and perhaps even the performance scores would be lower (See Table 5c). Indeed, all security features scored the least in usage amongst the four systems, ranging only from a low of 2.42 (Video Analytics, Statistics and Reporting) to the highest at 3.76 (Access Control). The performance scores were also lowest in all the four systems, with the ratings mirroring that of the usage score with Access Control rated the highest at 3.81 and Video Analytics, Statistics and Reporting as the lowest at 3.32.

<table>
<thead>
<tr>
<th>Security Features</th>
<th>Usage Score</th>
<th>Performance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Control</td>
<td>3.76</td>
<td>3.81</td>
</tr>
<tr>
<td>Data Warehousing</td>
<td>3.34</td>
<td>3.70</td>
</tr>
<tr>
<td>Video Analytics/Statistics/Reporting</td>
<td>2.42</td>
<td>3.32</td>
</tr>
<tr>
<td>Video Surveillance</td>
<td>3.37</td>
<td>3.75</td>
</tr>
</tbody>
</table>

Note: Scores range from “1” being very rarely to “5” being very often for Usage, and “1” being strongly disagree to “5” being strong agree for Performance.

_Security Summary_

It is interesting to note that the performance scores of all four features in the security system were rated higher than the usage scores. While this is good news, it also showed that clubs might
not be using the existing systems to their fullest potential. Thus, clubs and security system vendors may need to visit to ensure the features were utilized to their maximum capacity.

**Next Steps**

With all these technologies, one set of questions asked in this study was related to the innovativeness of clubs in technology adoption. When asked, in general how hesitant were the participants' clubs in trying out technology, only 55 percent admitted that they were "not" hesitant—this left us with 45 percent of the clubs that "would be" hesitant in trying out new technology. And when asked if one's club was usually the first one to try out new technology, only 20 percent agreed and 5 percent strongly agreed to the statement, a quarter of the participants. Finally, when the degree of willingness to experiment with new technologies was asked, most (31%) stayed neutral, and only 30 percent agreed, and another 7 percent strongly agreed. Technology is something that most are not comfortable with. In clubs, technology adoption is behind other hospitality industries such as hotels. However, technology is essential.

With all findings from the two studies on the systems and features clubs use and the timing of upgrades, how can clubs use this information to their advantage? Is the information only good for club owners and management? What about technology vendors?

First, clubs need to compare their technology profile to the results of the two studies. In other words, if I am a club executive, where does my club stand? Does my club have that feature? If so, how often does my club use that feature? If so, compare your club's financials with the industry. For example, are you more concerned with increasing your revenues? If so, look at the features that your counterparts rated as more useful in increasing revenues. Are you more concerned with reducing your costs? Then, take a look at the features that helped reduce costs the most. Tailor the results to the needs of your club.

Second, once your club's profile is established, look at where your club can improve. Talk to your vendors, read blogs from HFTP or other resources, attend industry webinars (many of them are free, especially those offered by HFTP), or join industry chats regarding new technologies that your club can benefit from. Gather information that can benefit your club.

Then, plan strategically, both short- and long-term. One cannot change everything in one day or even one month. Technology is an expensive proposition and such capital expenses need to be budgeted accordingly. Rank the most important needs of your club and go from there. Plan when such upgrades will be best pursued. Sometimes, it may not simply be a matter of monetary resources but also human resources in terms of training, or even convincing a board that technology can help increase value to the membership.

As for vendors, look at the gaps between criticality, usage, and performance. Sometimes, gaps exist not because of the inferiority of the products but rather the knowledge and training that are needed. The one most obvious example is the two features that are most absent on a website: Social Media Management (26.77%) and Mobile Apps (26.36%). Remember that club executives rated the same two features as most likely to add value to their clubs in the future. Therefore, vendors who have these two functions should visit with their club clients and discuss the positive values of social media management and mobile apps. Work with your club clients and continue to cultivate the business relationship. Sooner or later, a new system is needed, and because of your continuous hard work, your company will be on the top of the list that clubs will place that call. Transactions end; but relationship should keep growing.

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GDPR may apply even if your club does not have operations in the EU

GDPR casts a wide net. Companies, government agencies and nonprofit entities that interact with EU residents are all subject to this new law. Many organizations underestimate the amount of EU data they hold and, therefore, may not understand the legislation’s potential effect. For example, banks, hospitals, hotels and other organizations that hold data from EU residents are subject to the GDPR. Recent advances in digital communication mean that consumer data can be collected from around the world and stored within seconds in a variety of ways, including in websites, email systems, collaboration platforms, mobile platforms and business applications. It is also important to note that the definition of personal data under the GDPR is much broader than in any U.S. regulation and extends, for example, to information such as geolocation data, browser cookies, biometric data or anything else that could be used to identify an individual. To determine if GDPR affects your organization, you need to ask questions such as:

- Do you offer goods and services to EU residents?
- Do you rely on third parties that store or transmit data to or from the EU?
- Do you collect, transmit or process data pertaining to EU residents?

Keep in mind, it doesn’t matter if the services are free. It also doesn’t matter whether your organization operates in the EU.
Timing for compliance is sooner than you think

While enforcement isn’t set to begin until May 2018, GDPR is already the law of the land in the 28 EU countries. Enforcement agencies have started visiting EU companies to assess compliance and they are expected to do the same in the United States—that doesn’t leave much time for organizations to identify what EU data they may hold and how to protect it. For private clubs and other organizations in the middle market, timing is especially important. Enforcement actions are expected to be taken against middle market companies first, to make examples of them and set precedent for pursuing actions against larger companies. U.S. companies should be especially alert, as EU regulators look to set the tone for what’s expected from them under GDPR, given a historically different—and looser—approach to data privacy between the United States and the EU.

Customers and employees can trigger enforcement action

Under GDPR, individuals can request that companies provide all data they maintain about them, and extensive, detailed information about how such data is protected. This includes how each customer’s consent is secured and tracked on an ongoing basis; the specific purpose for holding this data; and the nature and extent of protections surrounding that data, including any third parties that might be involved. Consumers can also request that all such data be provided to them in an electronic format suitable for porting to a competitor, or that all their data be completely erased from all systems the company uses, including, again, those from any third parties. Failure to provide timely and complete responses to consumer requests opens companies to formal complaints by consumers to the relevant GDPR supervisory authorities. This, in turn, can trigger the significant penalties mentioned above.

Since GDPR enshrines an EU resident’s right to access, removal and transport of their data, club leaders should plan out how they intend to accommodate EU members and their ability to make these requests under the law. Impacts to temporary labor processes should be considered as well. For example, as seasonal workers are hired, any private data sent from the EU by applicants would also fall into the scope of GDPR. Similarly, club leaders should consider the logistical implications of being able to give effect to these rights to EU residents, and what changes may need to be implemented, across their processes or technologies.

Start mapping and analyzing your customer data now

U.S. organizations should begin identifying or mapping EU customer and employee data immediately. It is not uncommon for EU data to reside in different departments, divisions or subsidiaries. This data will need to be protected and even segregated from other customer data, much in the same way that U.S. organizations now protect and segregate credit card data through network segmentation standards under the Payment Card Industry Data Security Standard. Staff modifications may be necessary—for example, larger organizations may need to appoint a data privacy officer under GDPR.

While the task of data mapping and analysis may seem simple at first, it can be much more daunting to capture where personal data is stored across the environment, especially in organizations that rely on bring your own device (BYOD), such as personal phones or laptops, or cloud storage solutions. Club leaders should document what personal data they hold of EU residents, how it was provided, and who they share it with (especially if that information is ever sent abroad). Guest, member and employee data would be good starting points for inventory; however it is also important to consider any financial processes as customer billing systems or marketing systems may have some of the same types of personal information. GDPR includes implications for providing notice to EU residents of what processing activities are taking place with their data, but also implications for breaches. Organizations must ensure they have the ability to promptly identify, detect and report any breaches of EU resident data which makes the data map such a crucial process.

Leverage GDPR compliance as a business differentiator

GDPR represents a broader trend for privacy compliance on a global level. U.S. organizations will greatly benefit from assessing and aligning their privacy policies and procedures with this emerging global movement. By doing so, they will not only be able to comply with the requirements of GDPR, but will also be prepared to address additional new privacy laws that may arise from other regions and countries. For any legacy systems, processes or inventories of member or employee data, GDPR represents an opportunity to audit current holdings to identify whether any previously collected information is still needed. Modernizing procurement procedures to demonstrate privacy by design and updating data governance can also ensure accountability and provide oversight to areas possibly previously neglected within IT. Instead of looking at privacy compliance as another cost of doing business, organizations should consider it a leading practice that can help them differentiate themselves from competitors.

While GDPR represents an important step forward for individual privacy rights, it will require potentially vast changes and strategic planning by club leaders around the world to fully comply. RSM’s IT privacy methodology can help assess gaps and provide guidance as you build out your compliance road map for GDPR and the future state of global privacy regulations.

Alain Marcuse, Director, Daimon Geopfert, Principal, Charles Barley Jr., Director, and Nico Guetatchew, Supervisor, are with RSM US LLP, providing audit, tax and consulting services to private clubs. For more information, contact clubservices@rsmus.com or visit rsmus.com.
Women in the Workplace

During the past year, discourse about the gender gains and gaps and the treatment of women in the workplace has generated national attention. Here are key trends clubs should know.

**Workforce**

Women make up 47% of the U.S. workforce.

57% of working-age women (ages 16 and older) are employed or looking for work, up from 51% in 1980, but down from its peak of 60% in 1999.

69% of working-age men were employed or looking for work in 2017, down from 77% in 1980.

Since 2000, 73% of mothers with children younger than 18 were in the labor force.

The gender pay gap has narrowed, with women's median hourly earnings at $16 in 2016, while men earned a median hourly wage of $19.23 in 2016.

38% of women ages 25–64 have a college degree compared to 33% of men.


**Women in Board Leadership**

- 73% of nonprofit employees are women, and women only comprise 30% of nonprofit boards.
- Women of color make up less than 14% of nonprofit board members.
- At Fortune 500 companies, women comprise just 28% of incoming board members in 2016.
- 66% of nonprofit boards say they can improve their gender diversity.

Sources: Heidrick & Struggles study, “Association and Nonprofit Boards: Maximizing Effective Service.”

**A Group that Can’t Be Ignored**

Women account for 75% of all consumer purchases and 93% of food purchases.

Women’s purchasing power in the U.S. is estimated to be up to $15 trillion annually.

36.9 million latent female golfers around the world are worth up to $35 billion to the golf industry.

Sources: McKinsey & Company’s “Women in the food industry.”

Source: Nielsen Consumer.

Source: Syngenta 2016 study, “The Global Economic Value of Increased Female Participation in Golf.”
### How About Clubs?

**78% OF CLUBS HAVE AT LEAST ONE FEMALE BOARD MEMBER**

Source: 2017 National Club Association and McMahon Group Pulse Survey

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### Discrimination & Harassment

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Discrimination &amp; Harassment</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25%</td>
<td>Have EARNED LESS than the opposite sex doing the same job</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>Have been TREATED AS IF THEY WERE NOT COMPETENT because of their gender</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>42%</td>
<td>Have experienced GENDER DISCRIMINATION AT WORK</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>54%</td>
<td>Have experienced unwanted and INAPPROPRIATE SEXUAL ADVANCES</td>
<td>5%</td>
</tr>
</tbody>
</table>

Sources: Pew Research Center and Bureau of Labor Statistics

### Gender Sentiments

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Gender Sentiments</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37%</td>
<td>GENDER HAS BEEN A REASON they did not receive a raise, promotion or opportunity to get ahead</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>39%</td>
<td>Believe OPPORTUNITIES go to the most DESERVING EMPLOYEES</td>
<td>47%</td>
</tr>
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</table>

Source: McKinsey & Company’s “Women in the Workplace”

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### Has the country has made adequate progress in giving women equal rights with men?

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<table>
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<tbody>
<tr>
<td></td>
<td>10% say the country has gone too far</td>
</tr>
<tr>
<td></td>
<td>39% say efforts are about right</td>
</tr>
<tr>
<td></td>
<td>50% say the country hasn’t gone far enough</td>
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</table>

Source: Pew Research Center
What are the financial downsides to misclassifying an independent contractor?

The risks of misclassifying independent contractors vary from state to state, but, in general, the consequences can include the following.

- **Claims for unpaid minimum wage and overtime**—If the cash payments are determined to be gratuities rather than wages, then the club could be liable for unpaid back wages for hours worked and overtime. If a class action were pursued under the Fair Labor Standards Act, successful plaintiffs could recover back wages and overtime, “liquidated damages” of that same amount, plus the plaintiffs’ attorneys’ fees.

- **Tax exposure and penalties**—Unpaid federal and state taxes, penalties and interest can exceed 30 percent of the workers’ income over a period generally of three years.

- **Unemployment compensation**—The club can be determined to be liable for unpaid unemployment taxes plus, in some cases, a penalty.

- **Workers’ compensation**—An uninsured club faces civil and criminal risks for failing to maintain workers’ compensation coverage.

- **I-9 violations**—A club could be exposed to fines if it did not have I-9 paperwork and otherwise satisfy employment verification requirements.

- **Improper exclusion from benefit plans**—A club’s wrongful exclusion of an individual from a benefit plan can expose certain types of plans to tax disqualification and expose the club to potential benefits liabilities.

- **Failure to offer health coverage mandated by the Affordable Care Act (ACA)**—If a club fails to offer ACA-mandated health coverage to individuals entitled to coverage under the ACA, the club can be exposed to penalties of more than $2,000 per individual (above a specified threshold number) not offered the ACA-mandated coverage.

- **Exposure to claims brought under general employment laws such as Title VII, ADA, ADEA, FMSLA, OSHA, State and EEO laws.**

- **Third party liability** puts the club at risk for damages caused by a caddie’s acts or omissions, possibly purported to be an agent of the club.

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Michael Gregory at GGA offers three important points of focus:

1. **Win the Kids**—Understand where the best school districts are if you want members for a family-oriented club. Clubs are especially important to families during their child-rearing years.

2. **Win the Moms**—Offering a wide assortment of programs and activities engages women who cast the veto-vote in most to-buy-or-not-to-buy membership decisions. Moms search for clubs that meet most of the family’s needs.

3. **Do Your Homework**—Market information concerning housing, demographic and psychographic trends is readily available in most markets, so do the research to understand the push and pull factors that matter most locally. The market factors that are key to generating more members are surging consumer confidence, favorable employment statistics, increasing household income and advanced educational attainment. Private club members tend to be found on the positive side of these indicators.

Sometimes inspiration appears in the middle of the night. For most club managers the results that keep your club at the top of the charts requires consistent pursuit of market knowledge and future member insights.

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**The need to grow membership keeps me up at night. Where should clubs focus their attention to find new members?**

A bleary-eyed Keith Richards awoke with music in his head. He switched on the recorder and laid down the riff that everyone now knows to be the lead-in for “(Ain’t Got No) Satisfaction.” And, then, promptly fell back asleep. “When I woke up in the morning, the tape had run out,” Richards recalled. “I put it back on, and there’s this, maybe, 30 seconds of ‘Satisfaction,’ . . . and then suddenly the guitar goes ‘CLANG,’” and then there’s like 45 minutes of snoring.”

It’s the need for better and more actionable market knowledge costing many club managers sleep. In fact, recent research from Global Golf Advisors (GGA) finds that 6.5 percent of the 4,400 private clubs in North America are full with a waiting list of members hoping to join. Or, nine-in-ten clubs are searching for members. But, where? And how?

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**Henry DeLozier** is a principal at Global Golf Advisors, a Legacy Alliance Partner of the National Club Association, and an international club management consulting firm that provides specialized services to more than 2,700 clients from offices in Toronto, Phoenix and Dublin (IR). He can be reached at hdelozier@globalgolfadvisors.com or visit globalgolfadvisors.com.

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**Mark Brenneman**, PGA, is the chief business development officer for CADDIEMASTER, the premier provider of caddie management and training services with more than 50 partnerships in 22 states and four countries. He can be reached at mbrenneman@caddiemaster.net or visit caddiemaster.com.
What are some of the things we can do to attract new members to our city club?

There are many reasons to be optimistic about city clubs. First, cities are growing again, powered by the intensely urban millennials and, in many cases, older baby boomers who also want to experience the excitement of city living. Second, many city clubs closed during the past 20 years, so the ones that remain often have very few industry competitors. However, the expectations of these new users are different from those of the past. Instead of a business-centered experience, today’s target members live, play and work in the city, so the club must now facilitate each of these dimensions, not solely a business function. Additionally, competition from nonclub entities is stronger. Cities now abound with great bars and restaurants and excellent, high-end fitness clubs. Urban residences and workplaces include many features once found only at clubs. This includes buildings with fitness centers and pools, and workspaces with social and recreational amenities.

For city clubs to be successful in this environment, they need to support lifestyles. This includes traditional functions like business meetings and client entertainment, but also places that make the club an oasis in the city, one where members may drop in multiple times throughout the day for different purposes. It starts with diverse, even hip, social and dining spaces like a quick-casual café/coffee shop to a rooftop bar or a room for an elegant dinner. This social platform should be combined with spaces that promote health and work: A great fitness complex with programs and classes, and communications centers that make it easy to be productive outside the office. The best way to attract new members is to offer experiences and facilities that provide value for their target market. For the city club of the future, this means connecting your members to the reasons they live in the city—to experience the culture, enjoy sports, arts and entertainment and be productive.

Frank Vain is president of McMahon Group, Inc., a premier full-service, private club consulting firm serving more than 2,000 private clubs around the world. He serves as NCA Vice Chairman and chairs the Communications Committee. He can be reached at fvain@mcmahongroup.com.
Is there a difference between a satisfied member and a loyal member?

Member satisfaction and member loyalty are related, but the terms are not interchangeable. Ask yourself this question: Are your club’s most loyal members always satisfied? Probably not. Loyal members are often the first to offer constructive criticism when an amenity or service misses the mark. They may not be satisfied, but their strong desire to help the club improve is a manifestation of their loyalty.

On the other hand, satisfied members are not necessarily loyal members. Members exhibit loyalty when they recruit others to join the club, maintain their memberships year after year, and speak positively about the club in the community. The two constructs are very different, with loyalty outweighing satisfaction in long-term benefits to the club. The bond that links them together is “attachment.” Our research on predicting member loyalty confirms that members with a low degree of attachment to the club are likely to resign, while highly attached members are likely to renew.

Attachment, defined in psychology as a strong bond between an infant and a caregiver, has also been studied by marketing researchers because it has a direct impact on a consumer’s commitment to a brand. This research describes a specific type of attachment called “place attachment,” which refers to the relationship between people and a particular place. In clubs, place attachment plays a major role in member loyalty.

Place attachment, in the context of a private club, functions as the bridge between member satisfaction and member loyalty. Satisfaction influences attachment which in turn influences loyalty. Clubs create loyal members when a personal attachment is developed through the club’s culture and offerings.

Place attachment has four components: 1) Place dependence measured through the member’s connection to the club’s amenities. 2) Place identity measured by how closely a member’s personal values align with the club’s values. 3) Social bonding describes the connection with other members, with club staff and with family members using the club as a host for these relationships. 4) Place affect describes the feeling of belonging to the club and the emotional affect it bestows upon the members.
How successful are member discount programs? What are the best ways to increase membership sales?

Discount programs may result in short-term increases in membership sales but this practice can have a long-term negative impact. Without memorable experiences, the club is just a building. Prospects attracted by the latest deal rarely connect to the club, while current members end up feeling devalued. The resulting revolving door of membership makes stability impossible and ultimately affects the club’s ability to attract quality staff.

Focusing on growth from within is one of the simplest and most direct approaches. Identify a current member that the club would like to have more of and create a profile: age, gender, likes and dislikes. Do they play golf for three hours or three holes? Is she an active baby boomer who could use a yoga happy hour? Could he enjoy cigars with bourbon on card night? Once identified, design one new experience just for that individual. For inspiration, read up on the latest trends, listen for buzz from a competing club, or just ask. Insight can be gained through preferences gathered during the application process, in member surveys, or in conversations. Include upcoming details in member communications, on the event calendar, and on the member website to provide plenty of notice for planning. Feature the fun on social media channels while it's happening and post highlights to digital displays and the website.

The need for growth can be solved in more ways than one. Although incentive promotions can be appropriately placed within a private club’s master sales and marketing plan, the strategic design and delivery of member programming must also be integrated. The members are the club. Those who engage are more likely to stay. When they share their experience with like-minded friends, referrals also increase. And prospects just might begin to look past the price cut and instead make a decision to join based on their attraction to the club’s unique experience.

Julia Kelly is director of sales marketing for Troon. She can be reached at jkelly@troon.com or visit troon.com and troonprive.com.
Focus on the Balance Sheet for Long-Term Financial Stability

**SHIFTING BOARD FOCUS** from the income statement to the balance sheet is a critical first step in addressing the issue of sustainable financial success for your club. In this edition of Data Mining, we look to the balance sheet for information about the club’s PPE (Property Plant and Equipment) that we will use to calculate a very important number: **Net PPE to Gross PPE Ratio**. Club Benchmarking data shows the median Net PPE to Gross PPE Ratio in the club industry is 51 percent.

You’ll find what you need to calculate your own ratio on the club’s balance sheet. First, determine your Gross PPE (excluding land, which is not depreciated). Next, determine your Net PPE (after accumulated depreciation). Divide the Net PPE by the Gross PPE to arrive at the Net PPE to Gross PPE Ratio.

By analyzing industry data and applying context through hundreds of onsite visits, we know that clubs with ratios below 40 percent are likely to have physical assets that are more worn and depleted, while clubs with ratios of 60 percent or higher have physical assets that are newer and up-to-date. The ratio is a very simple quick check of where your club falls and your position relative to industry norms. In the end, a precise assessment entails your club completing a capital reserve study and asset condition assessment.

The Net PPE to Gross PPE ratio is critical because it forces focus by the board, finance committee and staff on capital and the balance sheet, which is where long-term, financial sustainability is found. The most important financial KPIs are on the balance sheet. Unfortunately, the income statement remains the center of attention to the detriment of many clubs.

### How is Our Net Worth Reflected?

<table>
<thead>
<tr>
<th>Net PPE to Gross PPE</th>
<th>25th Percentile</th>
<th>Median</th>
<th>75th Percentile</th>
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</thead>
<tbody>
<tr>
<td>25th Percentile</td>
<td>40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>75th Percentile</td>
<td>58%</td>
<td></td>
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</tbody>
</table>

Source: Club Benchmarking
clubbenchmarking.com
strategic planning

(n.) one more way Global Golf Advisors helps clients make smart business decisions.

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