NAVIGATING THE FUTURE:
The Outlook for Private Clubs
Navigating the Future: The Outlook for Private Clubs

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TABLE OF CONTENTS

Introduction (Overview, Methodology and Acknowledgments) ............................................................... 2

Top 25 Trends ........................................................................................................................................... 3

1. Private Club Industry: Makeup ............................................. 4

2. Lifestyle and Membership Experience ............................ 7

3. Facilities ................................................................................... 9

4. Golf and Other Recreation .................................................. 11

5. Food and Beverage .............................................................. 13

6. Technology............................................................................. 15

7. Governance ............................................................................ 17

8. Legislation and Regulation ................................................. 19

9. Club Workforce .................................................................... 21

10. Club Finances ....................................................................... 23
INTRODUCTION
Overview, Methodology and Acknowledgments

OVERVIEW
In the spring of 2013, the National Club Association (NCA) launched a multi-phase research study of the private club industry in order to shed light on top trends and challenges facing clubs in the years ahead. This extensive project, funded by the NCA Foundation, utilized a number of research methodologies such as interactive forecasting, surveys and focus groups to evaluate ways in which the makeup of the club industry is shifting, ways to achieve success in the future, the impact of increasing competition for club services, and how the club of the future and its membership might differ from today.

Presented here are highlights from the full publication Navigating the Future: The Outlook for Private Clubs, a report illuminating key trends in ten areas of club operations as well as meaningful takeaways and directives that will help clubs make informed everyday and long-term decisions. This forward-looking project offers insight into how private clubs are likely to evolve over the next 5-10 years.

The following excerpts on top trends and takeaways provide a glimpse at the rich content comprising the full publication, which is available on NCA’s online store at www.nationalclub.org.

METHODOLOGY
To unravel this complex environment and dynamic array of variables we asked for the insights, opinions and analyses of those closely acquainted with the private club industry. We sought the expertise of general managers, club officers and directors, private club consultants and hospitality school faculty, as well as those with niche expertise in areas like law, finances and marketing and leaders from related industries.

The Delphi Study was divided into two stages:

Phase One – A qualitative study featuring expert predictions about the overall club industry’s makeup and health, membership issues, finances and a variety of other topics having to do with club operations and the membership experience.

Phase Two – A quantitative survey which further examined, tested and refined predictions and points-of-view using a survey instrument.

The qualitative study was conducted in March–April 2013. The follow-up survey was then carried out in May–June of the same year. More than 100 experts participated in the first phase, while approximately 300 respondents completed the survey.

Additionally, NCA closely monitors macro trends impacting private clubs throughout the year. Sources ranging from government reports, industry journals and newspaper articles to research findings and business studies are reviewed and archived. This secondary research forms the basis for the macro view observations presented.

ACKNOWLEDGEMENTS
The National Club Association (NCA) with the generous support of the National Club Association Foundation (NCAF) commissioned the two-phase Delphi Study. The research was conducted in part by the McMahon Group, Inc.
Top 25 Trends
(In order of appearance in Navigating the Future: The Outlook for Private Clubs)

1. America is an aging society. The number of Americans who are 65 and older is expected to more than double from 43.1 million in 2012 to 92 million in 2060.

2. Millennials (those born between 1980 and 2000) are the future’s most important and largest consumer generation, with more potential spending power than any other generation in history.

3. Between now and 2050 virtually all (93%) of the nation’s working-age population will be accounted for by immigrants and their U.S.-born children.

4. More than 40 percent of women are their families’ main breadwinners and women are earning 60 percent of Master’s degrees today.

5. As the U.S. climbs out of a recession, affluent’s are spending once again. They’re choosing to spend on experiences and spending time with family, rather than on goods and products.

6. Fitness and wellness has catapulted from an auxiliary service at private clubs to a central offering.

7. The hospitality industry as a whole is becoming more focused on catering to American families, moving from being family-friendly to family-centered.

8. Eighty-nine percent of respondents predict that family-oriented clubs will prosper in the future.

9. A strong majority (92%) believes that clubs will become more diverse and open to lifestyle choices.

10. Almost all serious golfers (91%) assert that they’re bothered by slow play and say it detracts from their experience on the course.

11. Golf is not quite the singular organizing principle for club life that it once was. At some clubs, golf is evolving to play more of a complimentary, rather than leading role—with areas like fitness and wellness becoming increasingly desired.

12. Those between the ages of 45-65 account for 69 percent of fitness facility usage at private clubs and they enjoy functional fitness, group exercise and personal training.

13. Americans today are more health conscious than ever before, with two-thirds of American adults saying they try to maintain a healthy weight and diet and the definition of “healthy” continues to evolve.

14. In general, interest in food and beverage has grown deeper and broader. Food is so much more than simple sustenance these days. It’s entertainment.

15. Casual dining will continue to displace formal dining and outdoors dining spaces are in demand.

16. Mobile devices passed PCs in 2013 to become the most common Web access tools, marking a shift towards a device-driven lifestyle.

17. Strategic planning by club boards is now a priority; 65 percent of clubs have a long-term strategic plan.

18. More women are likely to emerge in club leadership roles, including serving on club boards and club committees.

19. The implementation of the Affordable Care Act (ACA) will be the most challenging legislative and regulatory issue private clubs, and small businesses as a whole, will face in the coming years.

20. Small businesses, like restaurants and private clubs, are turning to part-time employees to reduce reliance on full-time employees who will come with a hefty health care price tag once the Employer Mandate provision of ACA is implemented.

21. Retiring Baby Boomers are expected to make a major impact on the U.S. workforce, however many of them are opting to continue working due to financial setbacks caused by the Great Recession.

22. One of the most coveted benefits is a flexible work environment. A 2013 survey found that 36 percent of employers were increasing their flexible work options.

23. With rising food costs and a shift toward more realistic pricing, 60 percent of clubs increased their menu prices in the past year.

24. About three-quarters of clubs subsidize their food and beverage operations to some degree.

25. Clubs are calling on their communities to help fund capital improvement projects, hence an uptick in individual members or groups of members funding projects.
1. Industry Makeup

Economic Outlook

Most would agree that the U.S. is finally climbing its way out of the Great Recession, which is no surprise considering the country lost an entire year’s worth of economic activity (about $14 trillion) from 2007 to 2009.

However, the readings on the economic barometer are a mixed bag, and they’re also ever changing, thanks to international crises and domestic turmoil impacting the markets. Some clear pessimism does remain, and the recession will have lasting effects.

Of course the health, or vibrancy, of the economy varies greatly by region, by generation and by socio-economic factors like income level. The economic well-being of clubs is closely tied to the affluent population, those with annual household incomes of $100,000 and above. The first two years of economic recovery (2009-2011) boded much better for the top seven percent of American households, according to a Pew Research Center report. In fact, the mean net worth of households in the upper seven percent rose by about 28 percent, while the remaining 93 percent of American households saw a drop of four percent.

The fact that wealthier households are doing well is good news for the U.S. economy overall, as the top 20 percent of earners account for 28 percent of all spending, according to the U.S. Labor Department. There are 62.5 million affluents (adults with household incomes of $100,000+) in the U.S. today, up more than six percent over the past two years, according to Ipsos. This sector’s average income has risen by 4.6 percent since 2012, and their net worth also increased, which is welcome news for private clubs.

The Golf and Private Club Industry Outlook

Overall, golf’s recovery from the recession has been modest. The sport saw its hay day back in 2003, when the sport peaked in participation. Since then, the number of golf participants has declined by 4.8 million (about 16%), according to the National Golf Foundation. Losses have been driven by diminished retention, as opposed to a failure to attract new people to the game.

Family-oriented clubs are perceived as one of the most robust private club models.

Over the next 5 to 10 years, what are the overall prospects for revenue growth in the private club industry?

Growth: 62.1%
No Growth or Decline: 23.4%
Decline: 14.6%

Source: NCA Delphi Study 2013
At present, it is estimated that there are approximately 4,000 private clubs in existence in the United States. Using survey data, it would be reasonable to estimate a further decline in the number of clubs on the order of 10 percent by 2020.

If we lay this estimate of club attrition alongside the anticipated modest growth in industry size as measured by total revenue, it can be predicted that the industry will continue to experience a shake-out period with further consolidation.

Thus, the picture emerging is one where predictable success in the club industry is not evenly distributed, varying by club type, by region and other factors.

In sum, family-oriented clubs are perceived as one of the most robust private club models and one poised to do well moving forward. Likewise, athletic clubs—both traditional city athletic clubs as well as more contemporary health and fitness club concepts—have the potential for substantial growth. Many golf-only clubs are expected to struggle, as too are some city clubs.

Geographically, anticipated growth for the private club industry seems to track overall trends related to population and economic growth that point toward the south and west with the Sunbelt poised to do the best.

**TOP FIVE TAKEAWAYS**

**1.** Survey results show that there will likely be modest growth within the private club industry, but the distribution of both opportunity and recovery will be uneven. While location, club type and club size certainly play a major role, in the big picture, value will be the differentiator. Whether...
through facility enhancement, innovative programming designed to bring club members and their families closer together, technology that makes club life more convenient, or superior customer service, club leaders should regularly ask themselves what steps they’re taking to give members the biggest bang for their buck.

2. In a conclusive statistic from our two-phase Delphi study, 89 percent of respondents believe family-oriented clubs will prosper in the future. Regardless of geographic region or club niche, Americans are pressed for time and looking for places to spend quality time with their families. Clubs, depending on their culture, can be the answer.

3. The overall economic outlook demonstrates that Americans are still somewhat pessimistic, and are proceeding cautiously in all of their decision making for fear of slipping back into a recession. How can businesses, and clubs, target their messages to assure a product, service or club membership is a sound investment? Marketing messages that appeal to a need for security has proven to be successful. Position the club as a safe, secure environment in which to spend free time where there is little risk or uncertainty.

4. Clubs in the Sunbelt region, which stretches across the South and Southwest, are poised for success given climatic and other favorable conditions. Clubs that rely on a short season in which to conduct all outdoor recreational activity like golf and tennis are more likely to experience seasonal fluctuations. While some clubs have found ways to engage members year-round by converting tennis courts and golf courses for wintery activities, others may consider making investments such as a fitness facility with quality group exercise classes, personal training or nutrition counseling. Make the club a hub for managing overall health and well-being. Consider ramping up club dining with modern menu offerings, attractive lounge spaces, or a well-known chef. Position the club to be the members’ favorite restaurant that they choose time and time again over other options in the community.

5. Taking a look at some of the reasons why people say they’re golfing less, there may be opportunities for private clubs. For starters, 31 percent of people say they aren’t golfing due to responsibilities related to family or children. Adding childcare, kids camps or youth programming could help free up busy moms and dads so they can enjoy a round of golf. Fifty percent say they don’t have enough time. Initiatives like Time for Nine and Play it Forward are taking aim at hastening pace of play or encouraging golfers to play a quick nine. Clubs can encourage these activities with special nine-hole tournaments or leagues. Finally, 26 percent say health reasons are stopping them from playing the game they love. Here, there’s an opportunity to build synergy among various departments within a club. A club’s fitness and health center can offer physical therapy, or personal training sessions focused on rehabbing an injury that is preventing a member from golfing. Plus, healthy menu offerings in the clubhouse and exercise classes that build muscle and burn fat could mean healthier members overall.
Private clubs must continually contend with changing lifestyle preferences, which makes staying current a constant challenge. While some trends are fleeting, others are here to stay. Americans, in great numbers, seem to want what is convenient, healthy, family-friendly, affordable and high quality.

In addition to these emerging preferences are demographic trends that influence not only the club members of today, but also the club members of tomorrow.

America is an aging society. One of the biggest needs is ensuring there are outlets for older Americans to stay fulfilled, productive and engaged. While some seniors are choosing to continue to work to achieve this feeling, another possibility is private club membership. As club members, older Americans enjoy a built-in network of friends, social activities, recreation and a go-to place to get a great meal.

On the other side of the spectrum, Millennials or “Generation Y” (those born between 1980 and 2000) are entering the workforce, getting established professionally, starting families and considering club life. Clubs will have to work hard to achieve balance and weigh the different preferences and priorities of three generations of club members: Millennials, Generation X and Baby Boomers.

Diversity is another hot button trend. Between now and 2050, virtually all of the nation’s working-age population will be accounted for by immigrants and their U.S.-born children. It follows that clubs are likely to become more diverse, with “upscale Latinos” and Asian Americans leading the way.

Finally, the roles of men and women in society are evolving. Women are earning more Master’s degrees than men and more than 40 percent of women are their families’ main breadwinners. Clubs appear to be responding to women’s advancements professionally by including them on boards or committees, as well as targeting them for membership with programs and facilities created with women in mind.

All of these factors will impact who chooses to join private clubs, what facilities are popular and what type of programming is offered. It also means tensions will be at play, as clubs try to find the right mix of change and continuity or tradition and innovation.

### How will clubs respond to demographic and lifestyle trends?

<table>
<thead>
<tr>
<th>Statement</th>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clubs will become more diverse and open to lifestyle choices as compared with the present.</td>
<td>92%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Clubs will design programs to increase their appeal to women.</td>
<td>90%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Clubs will need to provide for same-sex couples and significant others.</td>
<td>83%</td>
<td>3%</td>
<td>14%</td>
</tr>
<tr>
<td>Single and individual memberships will become more common than they currently are.</td>
<td>74%</td>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>City clubs will see a significant rise in female members.</td>
<td>68%</td>
<td>7%</td>
<td>25%</td>
</tr>
<tr>
<td>The appeal of private club membership has lost its luster with the younger generation.</td>
<td>64%</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Legacy members will play an even more important part of the club’s total membership composition.</td>
<td>53%</td>
<td>16%</td>
<td>31%</td>
</tr>
<tr>
<td>City clubs’ prospects for success will improve, reflecting their focus on the individual and the growing prevalence of single-person households.</td>
<td>38%</td>
<td>19%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
Top Five Takeaways

1. Anytime a private club can serve as a solution to a problem or unmet need is a win. Baby Boomers, the wealthiest generation, are searching for a way to stay meaningfully engaged and active. Private clubs can step in to fill that void. In order to make sure club programming, activities and facilities meet the needs of Baby Boomers and all members, issue membership surveys at least once a year, with the resolve to follow-up on the findings so members feel adequately heard. Clubs may encounter a difficult balance weighing the needs of energetic families looking to be active together and Baby Boomers and seniors who may be searching for a more tranquil adult atmosphere, but a survey can help answer these questions.

2. For Millennials, Baby Boomers and everyone in between, it’s clear that it’s all about the experience these days. Affluents are forgoing pricey purchases for more experiential luxuries; traveling has become more about adventure and experiencing local culture than sitting in the sun; food is no longer how we sustain ourselves, it’s entertainment; and the technologically savvy are looking to share their experiences in rapid time with the outside world. Clubs can pay tribute to this trend by offering innovative programming that gets club members involved. These activities can range from chef’s dinners, wine tastings, interesting classes, unique family events and more.

3. Though there are signs the recession has subsided, financial strains remain that form barriers to membership. Innovative membership categories, as well as membership financing plans are attractive options. Alternatively, clubs can redefine and broaden who constitutes a “typical” club member to reflect changing demographics. “Upscale Latinos” and Asian Americans in particular are primed to have spending power at their fingertips and will look for new ways to become engaged in the community and to socialize. It’s also worth noting that those that do make the commitment to join will expect value for their money.

4. Club membership is no longer a decision made solely by men, and club life needs to include activities for women and families. Women have gained so much ground professionally that in some cases, they’re out-earning their husbands. They’re playing a larger role in club life too, making the decision to become a member, serving on club committees or taking a leadership role on the board. Women will make their preferences known; some may call for specialized programs targeted to women, while others may desire to be treated no differently than male members when it comes to club offerings. The lifestyle of the modern man has also changed. Dads are participating more in the child-rearing process, making family time a cherished priority. Therefore, men also value family-friendly activities at the club.

5. Ultra-affluents will remain an important demographic in private clubs, but HENRYs too should be targeted for membership. These economic heavy lifters are already expressing their desire to spend money on experiences, rather than goods. However, in High Earner Not Rich Yet (HENRY) households, both parents typically work and most are of child-rearing age, making these young spenders extremely tight on time. They’ll be looking to get the greatest value out of club membership and to maximize time spent at the club. Picture a husband playing a quick round of golf, a wife getting an express spa treatment after a short workout while the kids participate in an afternoon tennis clinic before coming together as a family for a casual meal outdoors.

The Lifestyle and Membership chapter of Navigating the Future: The Outlook for Private Clubs looks further at generational priorities and preferences; features bright spot for clubs and possible rough patches ahead; and dives deeper into the membership experience.
Whatever the ebb and flow of a club’s fortunes, there are few targeted initiatives that can boost a club’s prospects as dramatically as the improvement of club facilities. A club’s facilities should showcase the club’s brand, be of utmost relevance to its members and provide a valuable and meaningful environment that members want to spend time in day after day.

In order for private clubs to compete with the outside world, successful clubs seem to be bringing the outside world in. For example, enable club members to relax with a cup of coffee in a cozy café atmosphere in the clubhouse and they’ll stop visiting the chain coffee shop on their way to the club.

There are several trends impacting the hospitality industry as a whole that also apply to private clubs. First and foremost is the trend toward becoming more family-friendly. Some clubs are even becoming family-focused, with the addition of facilities and programming geared toward the youth. Clubs are building innovative play areas, adding youth activity centers or game rooms and upping the game when it comes to aquatics. When family is the focus, preferences for a more casual atmosphere naturally follow. Clubs are adding increased outdoor dining space, casual grill dining and café-like gathering spaces.

Whereas golf and dining have been the linchpins of full-service country clubs in decades past, new elements connected with club membership are becoming more central to the enterprise, including fitness and wellness.

Fitness has catapulted from an auxiliary service to the status of *sine qua non* for most clubs seeking to maintain a broad-based appeal. It’s one of the best opportunities to keep club members visiting the club year round. A fitness facility is also an investment that can set a club apart from others, boosting membership and creating a positive buzz in the clubhouse.

Going beyond fitness, clubs are prime to become a hub of health and wellness for club members of all ages. From offering healthy menu options and spa treatments to nutrition counseling, clubs should address the demands of club members craving a healthier lifestyle.

Though fitness facilities are gaining ground, golf will continue to play a relevant role at clubs, and that role can come in many shapes and sizes. Golf courses themselves are changing. The average golfer wants to get on the course, have an enjoyable experience in the great outdoors, and head home with a decent score after a reasonable amount of time. Thus, facilities changes to the golf course have included easily escapable bunkers, three- and six-hole options, and special tees for junior golfers.

A final word on approach: With all trends, a club’s culture comes first. Just because some clubs are relaxing rules and creating a more casual atmosphere doesn’t mean that clubs that remain committed to a more formal atmosphere automatically lose out.

### Activities by Importance

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mean Rating*</th>
<th>% Rating Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitness and wellness</td>
<td>4.6</td>
<td>94%</td>
</tr>
<tr>
<td>Youth programs</td>
<td>4.5</td>
<td>94%</td>
</tr>
<tr>
<td>Dining programs</td>
<td>4.1</td>
<td>82%</td>
</tr>
<tr>
<td>Golf</td>
<td>4.0</td>
<td>81%</td>
</tr>
<tr>
<td>Social events</td>
<td>4.0</td>
<td>79%</td>
</tr>
<tr>
<td>Banquets and private parties</td>
<td>3.9</td>
<td>83%</td>
</tr>
<tr>
<td>Swimming</td>
<td>3.8</td>
<td>70%</td>
</tr>
<tr>
<td>Lifestyle amenities</td>
<td>3.8</td>
<td>66%</td>
</tr>
<tr>
<td>Tennis</td>
<td>3.7</td>
<td>62%</td>
</tr>
<tr>
<td>Specialized or niche programs</td>
<td>3.3</td>
<td>38%</td>
</tr>
<tr>
<td>Boating, sailing or yachting</td>
<td>3.2</td>
<td>26%</td>
</tr>
</tbody>
</table>

* 5=Very Important  /  1=Very Unimportant

Source: NCA Delphi Study 2013

“The need for casual and family-centered options is no longer a trend; it is the new normal.”

“Fitness facilities and golf practice facilities are a must to accommodate the new members who are short on time and long in desire.”
TOP FIVE TAKEAWAYS

1. **Consider answering the call for a casual, comfortable atmosphere.** This can be accomplished without changing the dress code or drastically altering a club’s culture by transforming facilities, rather than relaxing the rules. Give facilities a casual makeover by adding more lounge-like and pub-like spaces for catching up with friends; offering outdoor dining options; and, by creating an atmosphere in which families want to come together to enjoy a meal—whether at the snack bar or in the dining room.

2. **Conduct a member survey to find out what members want in terms of fitness and wellness facilities and programming.** Clubs may learn that their members yearn for an on-site spa, or would deactivate their outside gym memberships if the club made a few tweaks to its fitness facility, such as adding new equipment or more group classes in the evenings.

3. **Golf is still the cornerstone “facility” at clubs across the country.** However, many successful clubs are giving their golf course a makeover to make the game more approachable. The pendulum appears to have swung from the trend of making club courses as challenging as the links featured on televised golf tournaments back to 18 holes of enjoyment aided by direct routes to the hole, fewer water hazards and shorter yardage. Today’s time-pressed club members are more likely to play another round if they’ve come away with a decent score and gotten off the course in a more reasonable amount of time.

4. **NCA survey findings revealed that 95 percent of respondents agree that technology will be integrated throughout most areas and activities of the club.** For example, golfers will expect to reserve tee times online, fitness fanatics will want the latest in equipment that can help track their progress over time and clubhouse diners will want to see the same gadgets they use at their favorite restaurants being implemented at the club grill. While these may not all be feasible, efforts should be made to use technology in ways that make things more quick and convenient for members.

5. **Step into sustainability by implementing one or more of the attainable ways to go green.** Simple moves like replacing trash cans with recycling bins and compost stations send an environmentally friendly message to members. Switching to more natural cleaning products and making an effort to cut down on waste are some other easy-to-implement steps in the green direction.

The Facilities chapter of *Navigating the Future: The Outlook for Private Clubs* provides examples of family-friendly facilities; shows which fitness equipment is in high demand; and looks at clubs going green, spa trends and more.
In private clubs today, is golf still the star or has it stepped to the side to serve as best supporting actor? With the cast of recreational characters expanding, it’s difficult to say for sure. Even our survey experts were split:

“Golf will always be the signature offering for private clubs, regardless of any major slowdown in golf play.”

“Fitness, in a variety of activities, along with clubhouse amenities will move ahead of golf as the main magnet for people to join clubs.”

It’s likely that golf will continue to assert its relevance, but some say, the sport is in need of a makeover to reflect changing American lifestyles. Courses will be altered to make rounds shorter with the everyday golfer in mind. A number of initiatives such as Time for Nine or While We’re Young have sprung up to quicken pace of play or help grow the game, two goals that are closely related.

At private clubs, golf is not quite the single organizing principle for club life that it once was, according to our survey respondents. Many endorsed its central role but also see it increasingly evolving to play a complimentary, rather than a leading role.

Other aspects of the game are likely to change too. Club facilities will provide better support for golfers of all abilities with the addition or expansion of practice facilities. Prospects also exist for fitness and training programs that compliment the game of golf. These opportunities can increase the enjoyment of golf, accelerate new interest and deepen existing commitments to the game.

A flourishing fitness facility, one that measures up to or exceeds local market competition, is becoming an essential offering in the full-service club. These facilities will increasingly function as an activity hub for members and a catalyst for social interaction—all the while drawing members to the club year-round.

Swimming and tennis are anticipated to remain important enhancers of the club experience as well. They’re two proven areas to engage the youth in club life, which will be key.

### How do the other pieces fit?

<table>
<thead>
<tr>
<th>Statement</th>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreational programs at private clubs will be designed and operated to increase their appeal to families.</td>
<td>97%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Pools and aquatic centers at clubs will be a major focus of facility improvements in the future.</td>
<td>81%</td>
<td>4%</td>
<td>15%</td>
</tr>
<tr>
<td>Club recreational pursuits such as paddle tennis, badminton and croquet will continue to appeal to a significant number of club members.</td>
<td>41%</td>
<td>22%</td>
<td>37%</td>
</tr>
<tr>
<td>The competitive dimension of sports programming will receive less emphasis in the future.</td>
<td>37%</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>The appeal of tennis relative to other recreational programs offered at clubs will decline.</td>
<td>18%</td>
<td>43%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
Is golf the #1 reason for joining a country club?

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>42%</td>
<td>25%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013

**TOP FIVE TAKEAWAYS**

1. **Attempts to quicken pace of play and the need to appeal to the next generation of golfers are closely linked.** The next generation is in a hurry so, in order to save the game, the golf industry must adjust to fit busy schedules. Clubs could consider some easy ways to speed up play such as offering late afternoon league play. At the very least, golfers who are pressed for time can commit to an afternoon of nine holes, which could remind them just how much they love the game. Additionally, educational sessions could be offered at the club (perhaps with a round of beers) that provide instruction on some easy ways to quicken the game. Finally, clubs could consider a campaign to encourage golfers to play easier tees for a more enjoyable time.

2. **Though not a new trend, 97 percent of our second phase survey respondents agreed that recreational programs at private clubs need to be designed and operated to appeal to families.** Program directors at clubs should consider ways to involve kids in each area of club life. Are there junior programs for young golfers and tennis players? What about at the fitness center or the pool? Another way of involving kids in club activities is through inventive special events.

3. **The emergence of fitness as a desired facilities offering cannot be overstated.** A modern fitness center is no longer an ancillary recreational offering. Some members are joining clubs with an overall goal of attaining greater health, wellness and physical fitness. Clubs must be there to answer the call. In order to compete with outside gyms, clubs could consider bolstering personal training staff, adding state-of-the-art classes like Zumba, boot camp, functional fitness and other buzz-worthy options.

4. **Upping pace-of-play is a definitive call to action, as is making golf a more attainable game.** An afternoon spent pitching a ball from sand trap to sand trap and going on ball fishing expeditions in water hazards is not enjoyable by anyone’s standards. Hence the trend toward more course changes that allow for more routes to the hole. However, there’s another way to ensure a better time on the links: practice. A strong majority of our second phase respondents (83%) agree that club golf programs will increasingly focus on practice facilities and training resources as a way to promote golf.

5. **There is no one prescription for getting more golfers out on the course.** What works for one generation, like Millennials, will be different than what works for Baby Boomers and Generation X. Taking the time to understand what motivates different demographics will be key to converting people into golfers and golfers into club members.

The Golf and Other Recreation chapter of Navigating the Future: The Outlook for Private Clubs examines how golf is likely to evolve; features information on five different golf initiatives impacting the game; offers insight into how to pique Generation Y’s interest in golf; and discusses investing in the youth.
As Americans continue to recover from the Great Recession, they’re making their priorities known. With restaurants on the rebound, it follows that private club dining rooms will also be receiving renewed attention. While it’s next to impossible to keep up with the changing whims of today’s growing number of foodies, there are three major trends on the dining scene that clubs shouldn’t ignore. Diners today demand casual, healthy and experiential meals.

Fine dining will always have a role to play, now and in the future. However, with Americans scheduling their lives so tightly with work, family, community activities and other pursuits, there’s hardly time for six-course tasting menus. Americans are on the go, and as a result, their preferences are shifting toward casual cuisine.

Americans today are also more health conscious than ever before. About two-thirds of American adults try to maintain a healthy weight and diet. But, the definition of healthy food continues to evolve and take new nutritional forms. For a long time, fat-free, low-calorie and low-sodium were the principal labels to deem a meal as healthy or unhealthy. Now high protein, gluten-free and locally sourced, sustainable food have entered the picture.

Experiential dining refers to the concept that diners now see food and dining out as entertainment. The chef, servers, hostess and managers are all a part of the show. Restaurants are taking steps to involve their customers more in their meal and clubs may consider doing so as well. Adding a “chef’s table” that enables members to watch talented kitchen staff in action is one suggestion.

Club members today are paying close attention to quality and value, have a growing and deepening interest in food overall (including where it comes from) and are utilizing club dining as a venue to engage with other members.

While there is no perfect recipe for carving out a distinct role on the dining scene, personalized service, interesting and healthy food choices and a style and atmosphere that bespeak club membership should prove successful based on today’s trends.

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“Food and beverage represents a great opportunity for clubs. Winning clubs will fully integrate members into the food process: chef’s tables, display kitchens, cooking classes for adults and kids, organic, farm-to-table, community and spice gardens, etc. It’s endless and opportune.”

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### The future of food?

<table>
<thead>
<tr>
<th>The development of club dining</th>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal dining will continue to decline in popularity.</td>
<td>91%</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>Club dining programs will struggle to break even and will require subsidization.</td>
<td>77%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Cooking classes offered by the club will become more popular.</td>
<td>75%</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>Private parties and banquet events will grow in importance for most club dining programs.</td>
<td>68%</td>
<td>6%</td>
<td>26%</td>
</tr>
<tr>
<td>The relative importance of club dining programs compared to other club activities, services and programs will increase.</td>
<td>61%</td>
<td>11%</td>
<td>28%</td>
</tr>
<tr>
<td>Club members will increasingly participate in food planning and preparation as the scope of club dining programs broadens.</td>
<td>42%</td>
<td>25%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
Casual dining will continue to displace formal dining.

Outdoor dining areas will increase in popularity.

Source: NCA Delphi Study 2013

TOP FIVE TAKEAWAYS

1. Even if the club dining room can’t be transformed, set out to create a cozy, lounge-like atmosphere elsewhere in the clubhouse that offers fast, casual cuisine and encourages member engagement, much like a beloved neighborhood coffee shop. This will keep members at the club longer and help build connections.

2. Answer the call for healthier food and a more wholesome approach to wellness. Demonstrate that you’re paying attention to what members want and need by providing a menu that offers a “lighter side” mini menu, showcasing entrées with 500 calories or fewer. Or, consider labeling menu items with symbols that indicate if an item is vegetarian or gluten free. Members will appreciate no longer having to do the guesswork. Along this line, encourage servers to ask diners about their food allergies.

3. Given that Americans today like to graze and eat small, healthy mini-meals throughout the day, clubs may consider amplifying their snack bar hours and offerings. Stock snack bars with high-protein, grab-and-go snacks like hummus and pretzel chips, hard-boiled eggs, fruits and nuts and members will feel full, fueled and happy.

4. Start small and incorporate some experiential concepts into the club’s dining program. In our survey, 75 percent of respondents thought chef-led cooking classes would grow in popularity. That’s one place to start, especially now that a club’s chef is becoming as much of a household name as the club’s general manager.

5. Attempt to reconcile generational differences in dining preferences by focusing on common ground. People of all ages crave variety. While difficult, a menu that changes seasonally will excite members and “meeting their minimum” will no longer be a chore. The other area on which all generations agree is exceptional, friendly and knowledgeable service. Clubs should remind wait staff that they are a very important part of the overall experience.

“We must continue to rival the offerings in the open restaurant market. Tradition is important but real-world trends and offerings must be a part of the successful club.”

The Food and Beverage chapter of Navigating the Future: The Outlook for Private Clubs examines the difference in food and dining preferences between different generations of club members; takes a look at how clubs can compete with restaurants out in the community; uncovers food and beverage trends and more.
In every office, on every sidewalk and in every café, someone is on a mobile device, using social media or technology to share content with friends, family and the outside world. The three trends of mobile technology, social media and sharing are driving change in this country, and creating an entirely different kind of consumer.

Americans today are constantly on the move. They want their coffee to go and knowledge at their fingertips. Enter mobile technology, the single biggest trend in technology in 2013. By 2015, more than 80 percent of handsets in mature markets will be smartphones, which demonstrates that we are now a device-driven society.

Modern social media impacts business, culture, education, recreation and more. The biggest social media shift that changed consumerism as we know it came when companies, organizations, restaurants and stores set up accounts, allowing people to connect with brands like never before. There are significant advantages to clubs participating in social networking. However, when private clubs have a public social media presence, it can endanger both their exclusive appeal and their private status. Proper precautions should be taken.

Finally, newspapers, television and magazines are no longer Americans’ top sources for information. We’re getting our news, recommendations and great stories elsewhere. We’re getting them from each other. Millennials especially are super-sharers.

Club members, regardless of their age, will likely want to partake in some sharing of their own. They may tweet a picture of the green on the 18th hole touting the perfect course conditions and great weather. Like the social media cautions, it’s advantageous for clubs to monitor sharing as much as possible.

The technology story for clubs looks to be increasingly like the proverbial good news versus bad news situation. The pay-off for member satisfaction looks to be significant and technology promises to do things better and at less cost. However, clubs are not early adopters of technology and thus, may come to realize technology’s benefits late in the game.

However, over time experts expect technology to improve the club industry in myriad ways. Technology will likely be integrated throughout most club areas and activities, improving the efficiency of club operations and enhancing members’ enjoyment of the club.

Each area of a club’s operations is primed to be amplified with technological advancements. The back of the house can use data mining or “point-of-sale” platforms to improve the member experience and operations. Golf is being transformed by mobile applications and club members are enjoying the convenience of booking tee times from their mobile device or PC. Even the latest facilities frontier, the health club, is incorporating technology tools to help members keep track of progress, log calories and more.

Persistence and planning will likely determine how well individual clubs do on the technology front and how rapidly they move out along the experience curve.

<table>
<thead>
<tr>
<th>How will technology get applied?</th>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology will be integrated throughout most areas of the clubhouse.</td>
<td>90%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Clubs will integrate their communications with social media in order to better connect and exchange information with their members.</td>
<td>84%</td>
<td>2%</td>
<td>14%</td>
</tr>
<tr>
<td>Innovations and enhancements in technology will boost productivity.</td>
<td>63%</td>
<td>7%</td>
<td>30%</td>
</tr>
<tr>
<td>Electronic devices (such as tablets) will soon compete with the traditional club menu.</td>
<td>55%</td>
<td>16%</td>
<td>29%</td>
</tr>
<tr>
<td>Technology solutions will reduce club operating costs.</td>
<td>43%</td>
<td>35%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
“Technological developments will almost always outpace organizational abilities to keep up. A consistent and on-going approach to technological improvements should be included in strategic plans.”

“Web-enabled communication with the club is becoming more important every day. The ability to use mobile devices, social media and Wi-Fi services within the club will help members use club services and stay informed of club offerings.”

**TOP FIVE TAKEAWAYS**

1. **Take time to consider how members are accessing information about the club and about the world around them.** They’re likely to be on mobile devices and may expect to have access to free Wi-Fi. It’s up to each club whether or not to allow guests to use tablets in the club house or apps on their smartphone on the golf course. However, if technology is allowed, the next level of customer service is to ensure its ease of access. As clubs seek to attract younger members, know they are more likely to expect tech-savvy service.

2. **Make the investment in data mining and point-of-sale products.** While this may be an expensive investment up front, the information gleaned will help streamline operations and improve member satisfaction. Since members typically charge all of their activities to their account, looking at member preferences over time should be a cinch.

3. **If you are thinking about setting up social media accounts for your club or are already online and tweeting away, always be sure to put privacy first and take the time to develop a social media policy with specific guidelines, responsibilities and procedures.** Try to seek out and “follow” active club members to monitor what they’re sharing about club activity and always address an issue before it becomes a full-fledged problem.

4. **Members will likely expect some degree of automation because of their preference for convenience.** While some members still call the club to set up a tee time or book a table, many prefer to make reservations by mobile device or, minimally, on their home or work computer. With 91 percent of respondents agreeing that technology will expand to improve scheduling members’ time, clubs should make an effort to make this possible.

5. **Technology can assist clubs with personalizing the member experience.** Clubs should use today’s technology to take it a step further to hyper-personalize all aspects of the member experience. For example, using data mining information that draws from member preferences, a club bartender could present a valued member with a small snack that is perfectly paired to accompany the member’s signature drink. Help connect members to the tee times, tennis partners and events they personally prefer. Even member communications can be personalized today for individuals and families.

The Technology chapter of *Navigating the Future: The Outlook for Private Clubs* offers guidance on balancing automation with face-to-face customer service; includes enhanced social media statistics; provides technology predictions for more than ten areas of club operations; and discusses approaches to technology.
7. Governance

Strategic, consistent and thoughtful governance lays a strong foundation from which a club can build. It helps determine a club’s culture, mission, vision and other drivers that will hopefully lead the club to success year after year. Good governance essentially comes down to people-to-people relationship building, clear communication and proven leadership skills. Private clubs are people-first environments, and club boards should reflect that in who gets chosen to lead.

Club leadership, membership and staff relations can be challenging and tensions can occasionally arise. Our survey respondents—many of whom are club GMs—do not expect this tension to go away any time soon. More than 70 percent agree that a board’s excessive involvement—aka “micro-management”—in a club’s daily affairs will persist as a problem. At the same time, such conflict can be minimized by best practices like sound strategic planning, thoughtful board selection, an effective orientation and board education.

While every club is different, there are several predictions that show how club governance is likely to change in the coming years. There will likely be a shift to smaller boards, a change in the GM’s role to one with greater authority, the significant involvement of women in club leadership and an increased reliance on a strong membership director.

Top Five Takeaways

1. If there is an over-arching theme to good governance, it’s balance. Board and management roles must be complementary. Careful and sound strategic planning can combine with talented executive leadership to promote this ideal. But as one expert warned, boards cannot shirk the difficult choice that the future often brings: “A very serious issue: Boards deferring important projects since they don’t want to be known as the board that did “X” to the members. Boards that do not seriously address needed infrastructure or membership issues when they surface fail in their fiduciary responsibility to the club and to their fellow members. If they can’t or won’t make the hard choices, they should leave the board!”

Who leads? Who manages? What works?

<table>
<thead>
<tr>
<th>Board composition</th>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>More women will emerge in club leadership roles.</td>
<td>91%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Recruitment of effective club leaders from the ranks of the membership will be increasingly difficult.</td>
<td>68%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Clubs are likely to devise better methods of selecting board members and leaders.</td>
<td>60%</td>
<td>11%</td>
<td>29%</td>
</tr>
<tr>
<td>Younger club members will resist involvement in board or other club leadership positions.</td>
<td>47%</td>
<td>28%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
Carefully consider, and reconsider, your club board’s composition to be sure it is advantageously serving your club. Having too few board members puts clubs at a disadvantage because there could be a lack of diverse skill sets, while too many board members could delay consensus building, thus preventing a board from moving quickly on important matters. Similarly, carefully consider term limits. Keeping terms to three years and setting limits can enable clubs to bring in fresh talent and new perspectives that can make all the difference in advancing a club’s mission. It also encourages broader participation of club members in club governance.

There is still a lack of women serving on boards in clubs today. A 2012 NCA governance survey reported that 40 percent of respondents had no female club board members. Though the percentage of female directors generally parallels the involvement of women as voting members, as more women join clubs, they may also desire to play an active role in governance on both club committees and the board.

Club directors, like Americans today, are pressed for time. Often, it seems, the first thing to get cut from a board meeting agenda is a session on strategy. In fact, of the 200 clubs NCA surveyed in 2012, 53 percent reported that typical agendas deal primarily with operational items and committee reports, leaving little time for strategy. It’s crucial to stop and evaluate the big picture. Whether strategy discussions take place at regular board meetings or at special board retreats, clubs should be sure they take place. Part of the board’s responsibility is to make sure a club’s culture and traditions don’t erode over time, while consistently weighing the changing preferences of members.

A majority (76%) of our second-phase survey respondents agree that the best private clubs will have a strong membership director. Even though a membership director is an asset to any club team, clubs should be cautious in relying on them too heavily for recruitment and retention. In private clubs, only club members should nominate other club members. While the membership director can provide a blueprint of the process or offer guidance, it is ultimately up to the members to make nominations.

The Governance chapter of Navigating the Future: The Outlook for Private Clubs provides industry statistics on board composition, women on boards, board terms, committees, board policies and more. It also looks at key criteria for identifying the right board candidates and strategic planning by the numbers.
The political and regulatory environment is as challenging as it is uncertain. The legislative agenda oscillates between getting stalled and being on the verge of delivering unprecedented change in areas like health care, employment, immigration and taxation—all areas that can change the club industry’s prospects for the future with the stroke of a pen. The private club industry is customer service oriented. This means that human resources are key to its flourishing. Thus, as in the past, the broader public policy agenda has important implications for clubs.

There are a few key areas where changes in legislation and regulation will make their mark on clubs. They include the new health care law known as the Affordable Care Act (ACA), immigration and union-organizing efforts.

Health care reform continues to unfold in this country and is often seen as a moving target. Of great concern is the impact that the implementation of ACA will have on small businesses like private clubs. When it was announced in early 2013 that the Employer Mandate provision of ACA would be delayed until 2015, it further demonstrated that the new health care law frequently changes. Despite the delay, it’s critical that clubs begin preparing for implementation immediately.

Immigration is also identified as a top issue because clubs hire lower-skilled and seasonal workers. Legislation could deliver good news for the club industry if it provides for a reintroduction of the Returning Worker Exemption (RWE) for the H-2B Visa Program. This provision allows H-2B workers who have been here before to return without being counted against the visa cap limit. In addition, legislation may include a new visa program for lower-skilled workers, which would give employers with full-time, year-round jobs a new option for securing foreign labor.

However, if legislation for this new visa sets a small cap number, meaning that a limited number of people can come into this country on this particular visa, then there may be greater use of the H-2B Visa Program. This could translate to fewer visas available for clubs. Finally, mandatory E-Verify usage may be required of all clubs in the future. Currently, nearly 20 states have made it mandatory for at least some employees.

Although union strength and the likelihood of organizing will vary on a regional basis, its relative trajectory of development is somewhat predictable. With the confirmation of a full slate of National Labor Relations Board (NLRB) members in July 2013, more aggressive pro-union policies and activities are expected throughout the balance of President Obama’s term because of the three Democrat, two Republican composition of the NLRB.

Other issues of top concern include taxation, maintaining tax exempt and private status, same-sex marriage implications for clubs and water issues. Strong strategic focus and skillful managerial direction will undoubtedly be required to navigate today’s legislative and regulatory climate.

“Immigration laws may reduce the quality of seasonal employees, thus lowering the membership experience.”

“Obamacare is such a large challenge that it is almost blocking out the sun.”

<table>
<thead>
<tr>
<th>Potential Changes in the Club Operating Environment</th>
<th>Positive Impact</th>
<th>Mixed Impact</th>
<th>Negative Impact</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care reform legislation</td>
<td>6%</td>
<td>25%</td>
<td>64%</td>
<td>5%</td>
</tr>
<tr>
<td>Immigration policy reform</td>
<td>17%</td>
<td>50%</td>
<td>25%</td>
<td>8%</td>
</tr>
<tr>
<td>Union-organizing efforts</td>
<td>2%</td>
<td>18%</td>
<td>64%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
**Top Five Takeaways**

1. Regardless of what’s happening in terms of immigration reform, all clubs should take advantage of the benefits the E-Verify program offers. Clubs that have not already enrolled in E-Verify should go to www.uscis.gov and click on the E-Verify link to get started. This free service can only help the hiring process and protect the club. However, it is critical to utilize the E-Verify screening process uniformly for all new employees.

2. In light of some clubs relaxing their compliance with the 15/35% rule and encouraging increased nonmember activity, clubs must seriously consider the legal and financial implications regarding any activities that may jeopardize their tax exempt and private status. Private clubs are social, not commercial establishments, and focusing on member-sponsored events and activities is one way in which clubs can drive revenue.

3. Clubs should not sit back and wait for 2015 to arrive. Though the Employer Mandate provision of the Affordable Care Act has been delayed, preparations should begin now. Clubs should be carefully weighing how to achieve the right balance of full-time employees, seasonal employees and part-time employees that best serves the club in terms of meeting members’ expectations, while also keeping within club budgets. Club leaders should be working very closely with their advisors to be sure they are prepared for the full implementation of the health care law.

4. Club leaders in states that permit same-sex marriages should review and update their health and retirement benefits, taxes and family leave policies in addition to meeting with the club’s accountants, insurance brokers and attorneys to ensure they are in compliance with the law.

5. Take the time to review your club’s water usage and water rights. Start your review by listing each water right, its original source, and the amount of water it provides. If your club receives water under a contract, it is a good idea to confirm the ownership of all of the water rights making up the contract supply.

Many water rights are limited to particular kinds of uses at specific locations during certain time periods. It is a good idea to familiarize yourself with the operation and ownership of the diversion and conveyance facilities delivering your water and keep in mind that shared use of facilities may create conflicts and can result in unexpected assessments. Finally, be aware of other water users who may have interests in the sources, delivery systems or contracts necessary to your water supply.

The Legislation and Regulation chapter of *Navigating the Future: The Outlook for Private Clubs* provides five concerns for clubs when it comes to the implementation of the Affordable Care Act and how to address them; offers predictions on how clubs will adjust to external challenges; takes a look at top areas seeing changes in employee rights due to legislation, regulations or court rulings; and describes trends related to tax exemption and private status, same-sex marriage benefits and more.
9. Club Workforce

Perhaps the best news across the board for both private clubs and the hospitality industry as a whole is that the service sector is growing at its fastest pace in nearly eight years. Restaurants and bars in particular are seeing an upswing in hiring, adding an average of 50,000 jobs a month since April 2013, doubling the rate from 2012, according to the Wall Street Journal.

Despite this upswing, many human resources and demographic changes remain. Top challenges include the continuing high cost of employee health care coverage, implementation of the new health care law, a shortage of skilled workers and the large number of Baby Boomers leaving the workforce.

The U.S. workforce is diversifying in terms of different generations on the job, women in the workplace and multiculturalism. Generationally, today’s workforce can be characterized by two major movements: the departure of Baby Boomers into retirement and the steady stream of Millennial (or Gen Y) workers entering the workforce for the first time. However, it should be noted that many Baby Boomers are choosing to work well into their twilight years as the Great Recession caused financial setbacks impacting retirement dates.

Millennials are the largest generation in U.S. history, making up about 28 percent of the population. They’re superior at technology, racially diverse and comfortable with ethnic diversity. In the workplace, they’re uncomfortable with the status quo, and fearless when it comes to hopping from one job to the next. They even seem to prefer working at small businesses.

With Millennials entering the workforce in record numbers and Baby Boomers staying employed longer, Millennials and Baby Boomers will be working closely together. What works for Boomer employees when it comes to benefits, motivation and more may not be the case for Gen X workers or Millennials.

Women are gaining ground in the workplace today and in some cases, surpassing men. Women-owned businesses are also on the rise. There’s still a long way to go, however. Despite making great strides, women are still underrepresented in leadership roles and lag behind when it comes to salary and negotiating pay increases.

Finally, as the U.S. becomes more diverse, its workforce does too. Workplaces, including clubs, today are multi-cultural and multi-lingual. Census data tells us that by 2050 there will be no racial or ethnic majority in our country.

When it comes to recruiting and retaining today’s workers, benefits and compensation come into play. While what the American worker wants varies by industry, the traditional benefits coveted the most tend to be health care, retirement savings, leave, and preventative health and wellness. New benefits, such as flexible work environments that lead to greater work-life balance and wellness programs, are now rising to the top.

The club industry is service intensive, with a daunting array of human resource challenges to address on a daily basis. From immigration reform and multigenerational workers to the state of the national and local economies, clubs must navigate numerous obstacles to maintain a strong workforce. “Finding, training, retaining talent and compensating these individuals at a rate that makes the club industry an attractive career choice will be the number one strategic threat to successful club operations. It is the ‘talent equation’ that will differentiate the clubs that struggle versus those that flourish,” explained one expert.

### Club Workforce Challenges

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<thead>
<tr>
<th>% Agree</th>
<th>% Disagree</th>
<th>% Neutral</th>
</tr>
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<tbody>
<tr>
<td>61%</td>
<td>21%</td>
<td>18%</td>
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<tr>
<td>56%</td>
<td>14%</td>
<td>30%</td>
</tr>
<tr>
<td>51%</td>
<td>14%</td>
<td>35%</td>
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</table>

Source: NCA Delphi Study 2013
One of the ways small businesses like restaurants and private clubs are responding to the implementation of the Affordable Care Act (ACA) is by turning to part-time employees to reduce reliance of full-time employees who come with a hefty health insurance price tag.

**TOP FIVE TAKEAWAYS**

1. **Make a concerted effort to devote resources to the proper training of new and existing employees.** In an industry dependent on excellent customer service, having a knowledgeable, professional staff team is essential. Proper training is critical to making sure that the right expectations are set and met. It can also lead to employees feeling more engaged, more prepared and satisfied with their work environment. Additionally, training shouldn’t stop at day one; worker education is an ongoing, evolving process.

2. **Conduct research to be sure your club is offering competitive salaries and benefits compared to other clubs (and other employers in general) in the area.** Clubs will need to convey that they can offer workers an environment in which they’ll be happy, heard and given room to grow. Retaining workers can be a difficult task. Paying attention to what’s being discussed on the ground can be very helpful. Take time to learn what benefits make employees the happiest and what aspects of their job are the most enjoyable and be sure to continue taking other steps to ensure worker satisfaction.

3. **Pay attention to workforce planning.** Think both short and long term about which demographic trends will create skill shortages at the club. Is there a contingent of Baby Boomers likely to retire soon? As the Millennial generation enters the workforce, does the club need to adjust employment practices to meet their needs? Changing demographics will no doubt impact the workplace; clubs can benefit by staying ahead of the curve.

4. **Employers are seeing an increase in labor related lawsuits.** Consider the following tips to avoid litigation:
   - Make sure each employee keeps track of and reports all hours he or she has worked
   - No one, other than the employee, should complete the paper or electronic timesheet, as this could lead to discrepancies
   - Properly categorize workers as exempt or nonexempt employees to ensure those entitled to overtime receive the proper pay
   - Always make sure that pay practices meet federal and state wage and hour guidelines and train managers on these requirements
   - Implement disciplinary action for employees who fail to follow timekeeping and record-keeping practices

5. **Continue to find ways to engage employees.** Engaged employees work the hardest, stay the longest and perform the best. Gallup suggests using employee engagement surveys that ask specific, relevant and actionable questions; being careful to select the right managers (not just who’s up next for a promotion); coaching managers and holding them accountable for their employees’ engagement; defining engagement goals in realistic, everyday terms; and finding ways to connect with each individual employee.

“**Future talent will come from hospitality schools and PGA programs. Better pay and pension programs will be necessary to recruit and keep top talent.**”

“**Clubs must adapt to having multiple generations of employees from ‘traditionalists’ and Boomers to our latest ‘Linksters/screeners.’ All are driven and motivated differently.**”

The Club Workforce chapter of Navigating the Future: The Outlook for Private Clubs looks more closely at workforce demographic trends, especially as they relate to today’s top challenges. It also offers information about engaging employees and what makes Millennial employees feel satisfied at work, which will be crucial in the not so distant future. Finally, survey experts provide their predictions on how clubs will respond to workforce challenges.
Influenced by the effects of the Great Recession, all aspects of the club business model have received close scrutiny: funding mechanisms such as initiation fees, the role of capital assessments, the timing and extent of building programs and capital investments as well as the more or less constant push and pull of budgeting that swings from revenue enhancements to cost-cutting measures.

Before financial trends can be analyzed, accurate data is required. There are numerous approaches to data in the private club industry. One new approach rolled out by Club Benchmarking is called the “Available Cash Model,” which is the measure of the cash (gross margin) a club generates to cover expenses related to non-revenue producing departments (course maintenance, G&A, building operations, etc.) and fixed expenses (as defined by the USFRC) which include real estate taxes, insurance, property and liability insurance and interest. Other ways include looking at “cost per hole” for golf clubs or “cost per member.”

No matter how you look at it, dues coming in and HR expenses going out dominate the finance discussion. Dues for members continue to rise. This varies regionally, however, with the East Coast seeing the highest average dues increase. Clubs can take some solace in knowing that, on the flip side, one of the more controllable expenses of a club is labor. Though payroll and benefits costs continue to rise as well.

There are a couple areas that prove to be particularly challenging for clubs. Food and beverage operations, which can be considered the bread and butter of club operations after golf, must contend with fluctuating food costs and workforce-related challenges. According to industry data, 75 percent of clubs in the U.S. subsidize their food and beverage operations and 60 percent of clubs increased their menu prices in the past year (with an average increase of about five percent). It can be helpful to consider food and beverage as an amenity, rather than an income-generating area of operations. Excellent club dining satisfies current members and can woo potential new members.

A significant amount of our second phase Delphi survey respondents (69%) recommended increasing membership as a way to improve club finances. Membership drives have long been touted as the go-to fix for dwindling dollars. However, the picture is not as bright as it once was. Clubs across the country have been lowering the cost to join because of the difficulty they've been having obtaining members. Initiation fees have declined across the country, in some places by as much as 25 to 50 percent, according to one report.

Appealing to members’ wants and needs is therefore more critical than ever. There are a variety of strategies to increase membership. However, among our experts, there is a slight preference for adjusting club offerings as opposed to more “demand-side” strategies such as appealing to new segments of society or lowering barriers to attract new members.

Clubs are getting creative when it comes to funding capital improvement projects, seeing as though initiation fees, the traditional approach to funding projects, are being lowered to get members in the door. They’re using at least some debt to finance projects and are calling on their community for support. There’s been an uptick in individual members or groups of members pitching in to fund projects. When members are involved in the process, they bring new energy and a sense of pride and enthusiasm.

### How to improve club finances?

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New services</td>
<td>76%</td>
</tr>
<tr>
<td>Better facilities</td>
<td>69%</td>
</tr>
<tr>
<td>Relaxing rules</td>
<td>67%</td>
</tr>
<tr>
<td>Appealing to younger segments</td>
<td>56%</td>
</tr>
<tr>
<td>Improvements and upgrades</td>
<td>47%</td>
</tr>
<tr>
<td>Recruiting diverse segments</td>
<td>31%</td>
</tr>
<tr>
<td>Lowering costs barriers</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: NCA Delphi Study 2013
Top Five Takeaways

1. **Take the time to talk with club tax attorneys when considering and exploring new revenue streams before moving forward.** A club’s attorney can provide advice on whether the new income-generating activity threatens a club’s 501(c)(7) tax-exempt status or its status as a truly private club. Reviewing the qualifications for obtaining and keeping tax-exempt and private status should be an important part of board training. Staff, too, should be aware, as duties such as record keeping of member and nonmember use of the club could fall under their responsibilities.

2. **Recruiting new members continues to be one of the top strategies for keeping a club’s **finances in good standing.** It follows that there is a lot of pressure on the membership director (if applicable) and the members themselves to invite new members to join. Club industry experts recommend that club members target families, upper-income adults ages 35 to 50, individuals who live within 10 miles of the club, and sports enthusiasts. Carefully manage how much time and resources are spent trying to attract prospects who live 15 or more miles away or who otherwise don’t fit into the club’s target demographic.

3. **When it comes to capital projects, planning is critical.** Each individual project should have its own plan addressing depreciation or other inadequacies that will be remedied by completing the project. This is in addition to budget planning, which should consider how capital investment is spread across multiple areas of a club. Finally, both project plans and budget plans should fit appropriately into an overall master or strategic plan, defined as a long-term view on facility improvement and development. Projects outlined within the master plan should demonstrate how the required or desired amenities would support the club’s overall mission and vision. Projects should be prioritized from high to low within a master plan to help give club leaders direction, or a “roadmap” for the future.

4. ** Clubs looking to explore member-funded capital projects could consider the following pointers provided by GolfBusiness:**
   - Put time and effort into preparation of a project. It’s critical to be able to articulate the goals of the project and the void or need that will be fulfilled for members.

5. **New financial models are in play and will be tested through the remainder of this decade.** With these shifting business models and new ideas about funding improvements and balancing the books, it is true now, more than ever, that keen judgment and financial expertise will be at a premium. Finding the right balance between risk and reward will likely spell the difference between success and failure for many clubs. Clubs would be well served to utilize their appointed advisors to the fullest and invest in resources that make it easy to track relevant data that can help streamline operations.

“The best recipe for financial success will continue to be member recruitment and retention, while being vigilant on the expense side.”

- Members like to be appreciated and recognized. Clubs should recognize funders of the project in an appropriate manner (i.e., engraved nameplates). Seeing names displayed may even inspire additional club members to give.
- Be sure to match the member to the mission. A club member who exclusively uses the club to play golf should not be approached to contribute to a tennis center renovation project.
- Don’t forget that people can give in other ways than straight cash. In-kind donations are just as generous, and just as beneficial to the club.

The Club Finances chapter of *Navigating the Future: The Outlook for Private Clubs* provides statistics on where clubs stand financially utilizing both the Available Cash Model and the cost per hole method; looks more in depth at sources of revenue; provides statistics and predictions about increasing club membership and other solutions and strategies; and finally, it looks at risk management.
The NCA Foundation, the National Club Association’s charitable arm, seeks to prepare clubs and the club industry for the future by assessing significant developments in the world around us and providing effective solutions to help clubs and their leaders respond.

The NCA Foundation works to analyze key trends, support research and education and anticipate challenges to the private club experience. Major initiatives supported by the NCA Foundation include the following:

**BOARD LEADERSHIP INSTITUTE**

The Board Leadership Institute is designed to develop highly effective club boards that are well prepared for their future. Through the Institute programs, NCA is working to expand board knowledge in areas such as:

- Board communications and engagement
- Financial oversight and fiduciary responsibilities
- Protection of the club’s private and tax-exempt status
- Responding to changing technology needs of the club’s members
- The legal landscape for private clubs
- Effective use of club committees
- Crisis management and communications, to be prepared for the unexpected

**NAVIGATING THE FUTURE: THE OUTLOOK FOR PRIVATE CLUBS**

Navigating the Future: The Outlook for Private Clubs is an ongoing NCA initiative to assess private club industry trends, provide clubs with a sense of direction and address how they should respond. A comprehensive research project was launched in spring 2013 to evaluate shifts in the makeup of the club industry, how to achieve success in membership marketing, the increasing competition for club services, and how the club and club members of tomorrow will differ from today.

Key topics that have been identified for NCA’s future trends research studies include:

- Membership marketing in a changing world: Who makes the joining decision and the factors he/she will consider in making that decision
- The expanding importance of fitness and wellness programs for clubs and the wellness benefits members may be seeking
- Social media: What clubs are doing now and what they should or shouldn’t do
- How the clubhouse of the future might differ from that of today, in terms of layout, design and use of the space
- Who will likely be the future members of clubs

For more information about the National Club Association Foundation and its initiatives, please visit www.ncafoundation.org.
Learn what’s next for the private club industry by ordering your copy today.

Based on a special research project commissioned by NCA and supported by the NCA Foundation, *Navigating the Future: The Outlook for Private Clubs* sheds light on top trends and challenges that clubs will face in the years ahead—drawing from surveys, focus groups and interviews with club leaders, experts and related industry professionals.

This must-have resource offers insight into how private clubs are likely to evolve over the next 5-10 years, and provides meaningful takeaways and directives for 10 key areas that will help clubs make informed everyday and long-term decisions.

**Topics covered include:**

- Private Club Industry Makeup
- Technology
- Lifestyle and Membership Experience
- Governance
- Facilities
- Legislation and Regulation
- Golf and Other Recreation
- Club Workforce
- Food and Beverage
- Club Finances

**Regular Price: $250  |  NCA Member Price: $175**

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