How to use Data to Better Lead your Club

New Jersey Golf Summit

NJSGA

Steve Mona
Director of Governance & Leadership
Club Benchmarking

April 5, 2022

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Club Benchmarking Background

- Company Founder was a private club Board member for 10 years and President for three. Club Benchmarking is based in Boston, MA and has a team of 28 people.
- Providing data analytics & financial analysis to the private club industry since 2009
- Data from +/- 1,000 clubs per year in 49 states, 5 Canadian Provinces, ranging in revenue from $300,000 to $125 Million. Residential Community Clubs comprise 20% of the database and 20% is clubs without golf (Yacht, City/Athletic, Tennis/Sports).
- Continuous study of what drives financial sustainability & success in private clubs
- Nationally recognized experts in club finance and business intelligence
  - Benchmarking platforms for annual finance & operations, compensation & benefits, policies & procedures and the Strategic Monthly Dashboard
  - Integration of real estate and demographic data
  - Industry leaders in capital reserve studies
  - Capital Strategies Modeling platform
  - Member Motivation, Attachment & Loyalty Benchmarking
  - Employee Engagement Benchmarking

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Steve Mona
Director of Governance & Leadership

- Joined the Club Benchmarking Team in 2019
- CEO, World Golf Foundation 2008 - 2019
- CEO, Golf Course Superintendents Association of America 1994 - 2008
- Executive Director, Georgia State Golf Association 1983 - 1994
- USGA and Northern California Golf Association 1980 - 1983
- Significant experience as CEO of non-profit associations working closely with Boards led Mona to become a student of governance, leadership and strategy

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Overview

1) Introducing the Key Concepts of Club Finance
2) The Strategic Monthly Dashboard
3) Club Benchmarking Offer to New Jersey Golf Summit Participants

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Introducing the Key Concepts of Club Finance

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Session Objectives

- Bring clarity to the widely misunderstood (by Board, Committees and Members-at-Large) club and financial business model.
- Provide context that has been missing as a result of the lack of data.
- Present the definitive club business model flowing from the definitive financial model.
- Present the common Key Performance Indicators (KPIs) that matter to EVERY club regardless of size, type of club or geographic location as a result of a common financial model.

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Shun Change - Stagnant

25% Shrinking

1. **Too few members as a result of weak member experience**
2. **Narrow breadth of lackluster services and amenities**
3. **Weak Balance Sheet**
    a. Declining Net Worth
    b. Significant deferred capital investment
    c. Lack of adequate cash reserves
4. **Operational Governance over Strategic Governance**
5. **Members think like Customers, not like Owners**

Evolving Slowly

50% Sideways - Moderate Growth

1. **Barely adequate to adequate number of members.**
2. **Lackluster to above average services and amenities.**
3. **Average Balance Sheet**
    a. Net Worth flat to slight growth in real dollars
    b. Significant to slightly deferred capital investment
    c. Some cash reserves
4. **Bounce between Operational and Strategic Governance**
5. **Mix of members who think like Customers and like Owners**

Embrace Change - Dynamic

25% Growing Purposefully

1. **Full Membership Roster**
2. **Compelling member experience with broad array of services and amenities**
3. **Strong Balance Sheet**
    a. Net Worth growing > 5% CAGR
    b. Fresh and up to date asset base
    c. Adequate cash reserves
4. **Focus of Governance is on making the club better (can still be stuck in Operational Governance at times)**
5. **Most members think like Owners and take pride**

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The Two Prevailing Perspectives

The Tension of Opposites

Efficiency View

1. Don’t raise dues – if the club is too expensive, we won’t get members.
2. We need to be “efficient.”
3. Don’t lose money in F&B.
4. Ultimately a price-over-value view.

Make This Place Great View

1. Let’s make this club great.
2. I am willing to pay for the services and amenities I want and the quality of service I would like.
3. Don’t go crazy and double the cost of belonging over night but I will invest to make the club stronger.
4. Ultimately – a value over price view.

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The Never-Ending Debate

Efficiency

- Does not mean Waste is OK
- Does not mean spend with abandon
- Does not mean don’t ask questions…
- Does mean Success over Time isn’t about Efficiency as a strategic driver
- Does mean the club business model isn’t built on Efficiency. Who joins a club because it is efficient?

Member Experience

- Does not mean double the Dues overnight
- Does mean every club should STRIVE to be the best version of itself it can be
- Does mean we don’t let the Experience or our Assets decay over time in an attempt to “keep dues low”
- Does mean clubs succeed or fail based on the Experience they offer (or don’t)

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Misconceptions Trap Boards in Operational Governance

Misconception	Facts
The club just isn't being run "efficiently."	"Efficiency" effects less than 7% of spending.
The food and beverage department should make money.	Clubs ***choosing*** "profit" in F&B are the weakest financially. Clubs ***choosing*** to subsidize F&B the most are the healthiest financially.
Lower dues/initiation fees will attract more members.	Clubs with the highest initiation fees and dues have the most members. Clubs with lower initiation fees and dues have the least members.
Golf is enough. Why do we need tennis, fitness, pool?	Golf-centric clubs are weak financially. Clubs with broad services and amenities are the healthiest (most members, highest initiation fees.)
Restricted capital investment keeps our club "affordable."	Lack of investment (kicking the can down the road) leads to inevitable failure.
Our club is "unique"	Feeds all of the misconceptions above.

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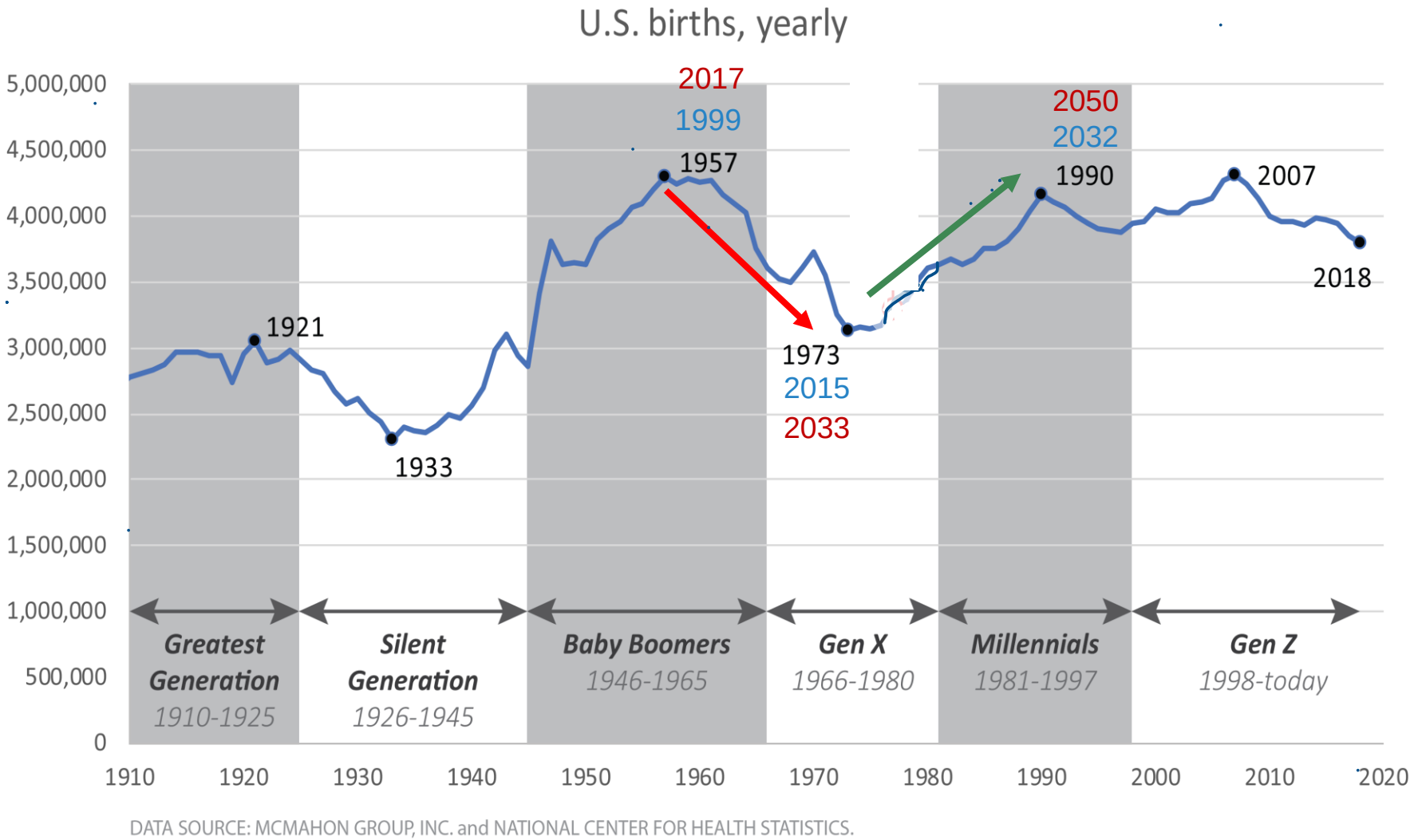

DATA SOURCE: MCMAHON GROUP, INC. and NATIONAL CENTER FOR HEALTH STATISTICS.

- For standalone clubs…

  Decline 1999 – 2017
  Growth 2019 – 2032

- For Residential Community Clubs…

  Decline 2017 - 2033
  Growth 2033 - 2050

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McMahonGroup
PRIVATE CLUB PLANNERS & CONSULTANTS

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The Purpose of the Two Ledgers in Every Club

Operating Ledger Drives the Member Experience

- Most of the money but this money doesn't drive finances…it drives the day-to-day experience.
- Keeps the grass green and cut, the beer and wine cold and the food hot.
- Consumed year-in and year-out by members enjoying the club.

The operating ledger funds the member experience. If there is **too little operating money**, the member experience declines.

Capital Ledger Drives the Financial Outcome

- Less of the money, but this is the money that drives the financial outcome.
- Capital contributions first flow into the club as an increase in member equity.
- From there, capital then flows into property, plant & equipment in the form of capital investment.

If there is **too little capital**, net worth declines, footprint doesn't expand, and assets become depleted and irrelevant over time.

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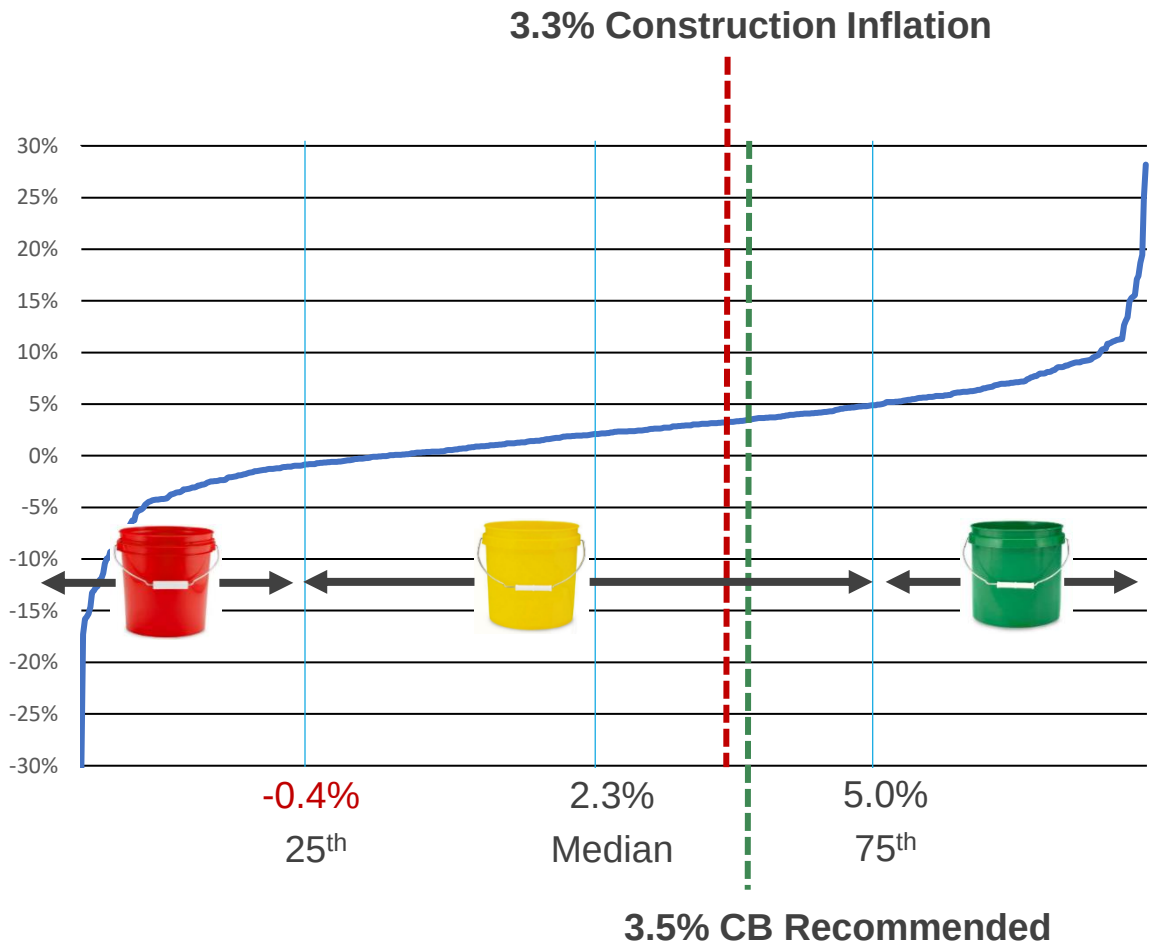
Net Worth Over Time: The Most Important Financial Metric

Growth of Members' Equity Drives…

- Balance Sheet Strength
- Investment in Property, Plant & Equipment
- Initiation Fee Growth
- Amazon since 2006 +46%, Macy's -7% Net Worth Over Time reflects market relevance and competitive standing.



The Capital Ledger is the engine that drives Net Worth Over Time

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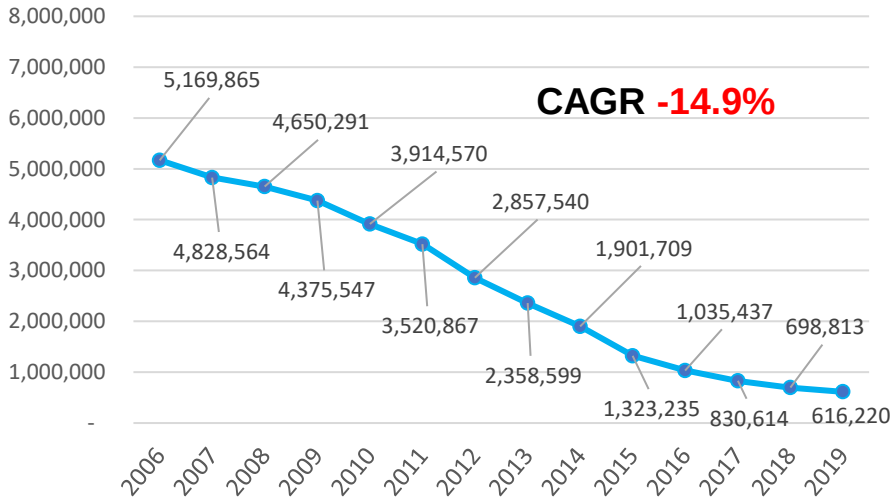
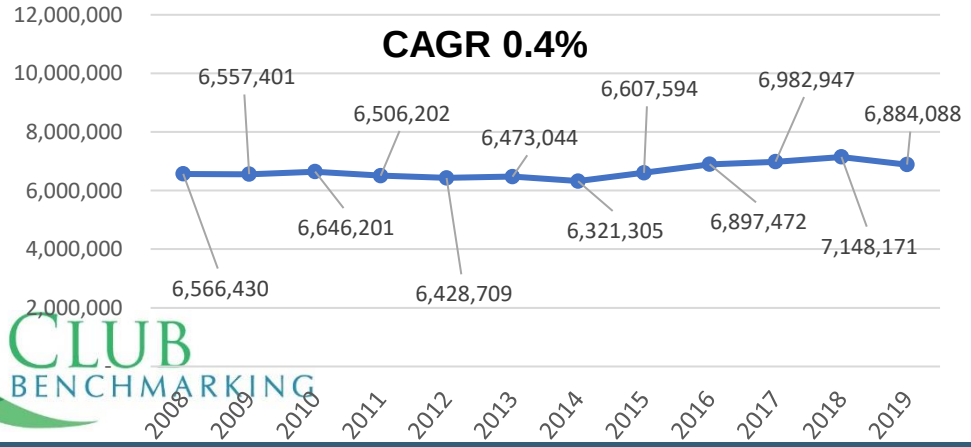
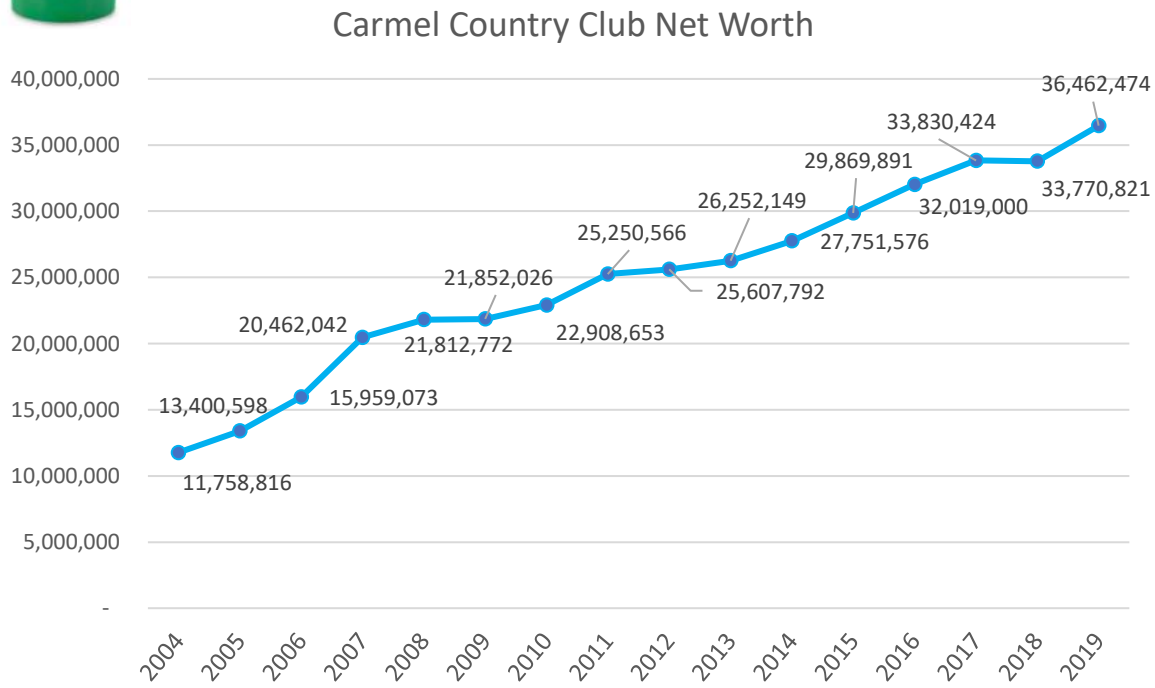
Net Worth Over Time
The Most Important Metric

As Member's Equity declines, so too does the state of the facilities.





Significantly increasing Member's Equity is reflected by expanding and always updated facilities.



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Obligatory Capital

(Maintenance)

- Repair and Replacement of existing assets.
- Depreciation = past cost – “matching depreciation” is not enough because…
  - Assets cost more to replace than when originally acquired, and fully depreciated assets in use will need to be replaced.
- Past and existing members are obligated. Not future members.

Aspirational Capital

(Growth)

- Expand existing assets (clubhouse expansion)
- Add new Assets (entire new clubhouse, pool or fitness when none existed)
- Adding new amenities – Croquet, Pickle Ball
- Current and future Members are responsible. Future members more so
- Aspirational Capital should have a Return on Investment – Capital Income is the Return

The Source of Obligatory Capital is Recurring Capital Dues

The Source of Aspirational Capital is Initiation Fee Income and Debt

Club Benchmarking recommends minimum growth in Net Worth of 3.5% per year **to meet obligatory capital needs**

Capital income for **aspirational capital** will grow Net Worth on top of the 3.5%

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Hierarchy of Capital Priorities

Debt Service

- Debt Service comes first and must be covered entirely. Very common for clubs to do a project using debt and come up with a debt service “assessment” that does not account for the remaining capital needs.

Obligatory Capital

- Obligatory Capital must also be covered. Many clubs are “rationing” capital as a result of inadequate income resulting in deferred maintenance.

Aspirational Capital

- Aspirational Capital is the capital to Evolve and Grow the club. It is the investment that keeps clubs relevant (think casual dining, fitness/wellness, resort style pools).

Increasing Cash Reserves

- Clubs wishing to increase reserves must satiate the capital needs that come first. It is a long way to reserves increasing.

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The Common Annual KPIs – These Matter to ALL CLUBS

Income Statement - Operating Ledger	Balance Sheet - Capital Ledger
1. Operating Revenue 2. Gross Profit/Gross Margin 3. Sources of Gross Profit 4. Dues to Operating Revenue Ratio 5. Fixed Expenses to Revenue Ratio 6. Proportionate Fixed Expense by Department 7. Operating Result and Margin 8. Payroll to Revenue Ratio 9. F&B Profit/Loss as % of Dues Revenue 10. Full Member Dues 11. Full Member Equivalents	1. Net Worth Over Time 2. Equity to Assets and Liabilities to Assets Ratio 3. Net Property, Plant & Equipment 4. Net PPE to Gross PPE Ratio 5. Total Capital Income 6. Net Available Capital 7. Net Available Capital to Revenue Ratio 8. Debt to Revenue Ratio 9. Debt to Equity Ratio 10. Capital Reserves to Fully Funded Ratio

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The Common Monthly KPIs – These Matter to ALL CLUBS

Membership

1. Total Member Count
2. Total Members Entering
3. Total Members Exiting
4. Members on Wait List
5. Members on Exit (Sell) List
6. Total Cost of Belonging
   - Operating Dues, Capital Dues, Debt Service, F&B Minimum, Level Service Fee, Trail Fee, Locker Bag Handicap Driving Range, Capital Assessment
7. Initiation Fee

Finance

1. Dues Revenue
2. Non-Dues Revenue
3. Initiation Fee Income
4. All Other Capital Income
5. Capital Investment
6. Total Debt

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The Strategic Monthly Dashboard

powered by Club Benchmarking

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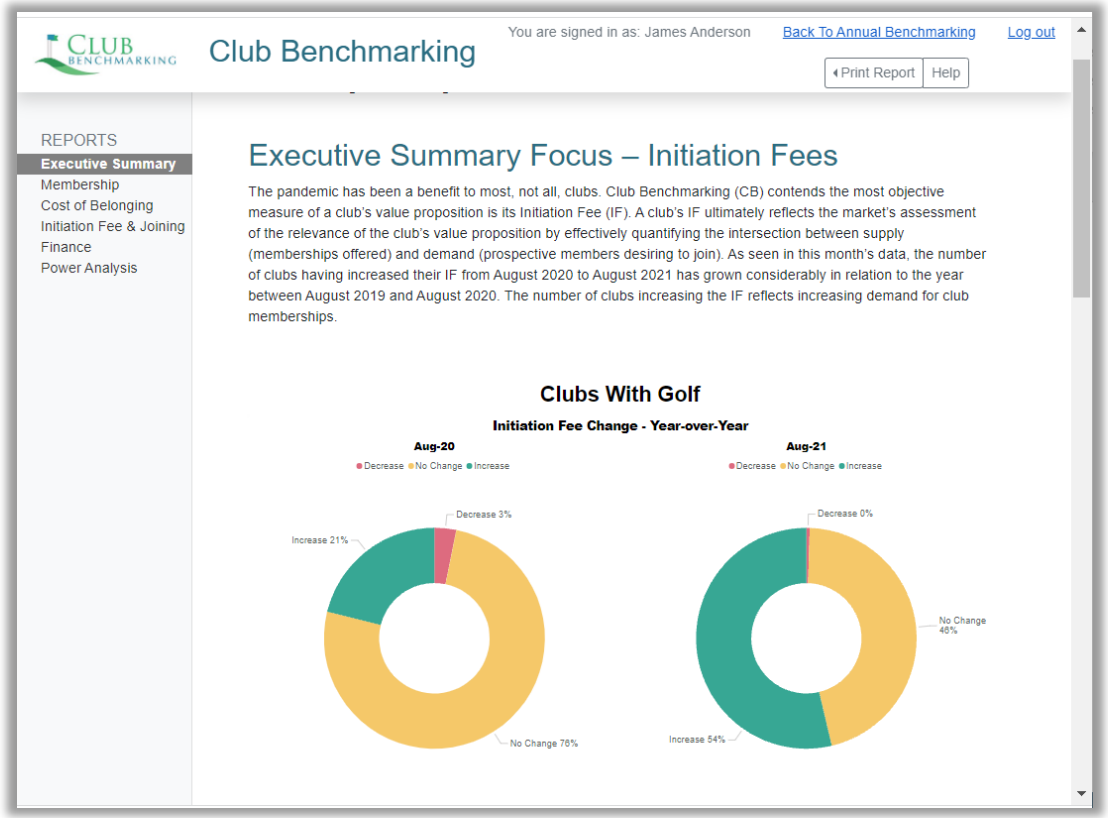
Powerful Monthly Market Insight



The **Strategic Monthly Dashboard (SMD)** is a **FREE** service that provides critical insight on monthly market trends and changes in member counts, dues and initiation fee rates, non-dues revenue and other key financial metrics.

The SMD allows senior management teams and boards from clubs of all sizes to focus on high-level, strategic KPIs to measure their club's monthly performance in relation to their regional market, selected peer groups, and the industry at large.

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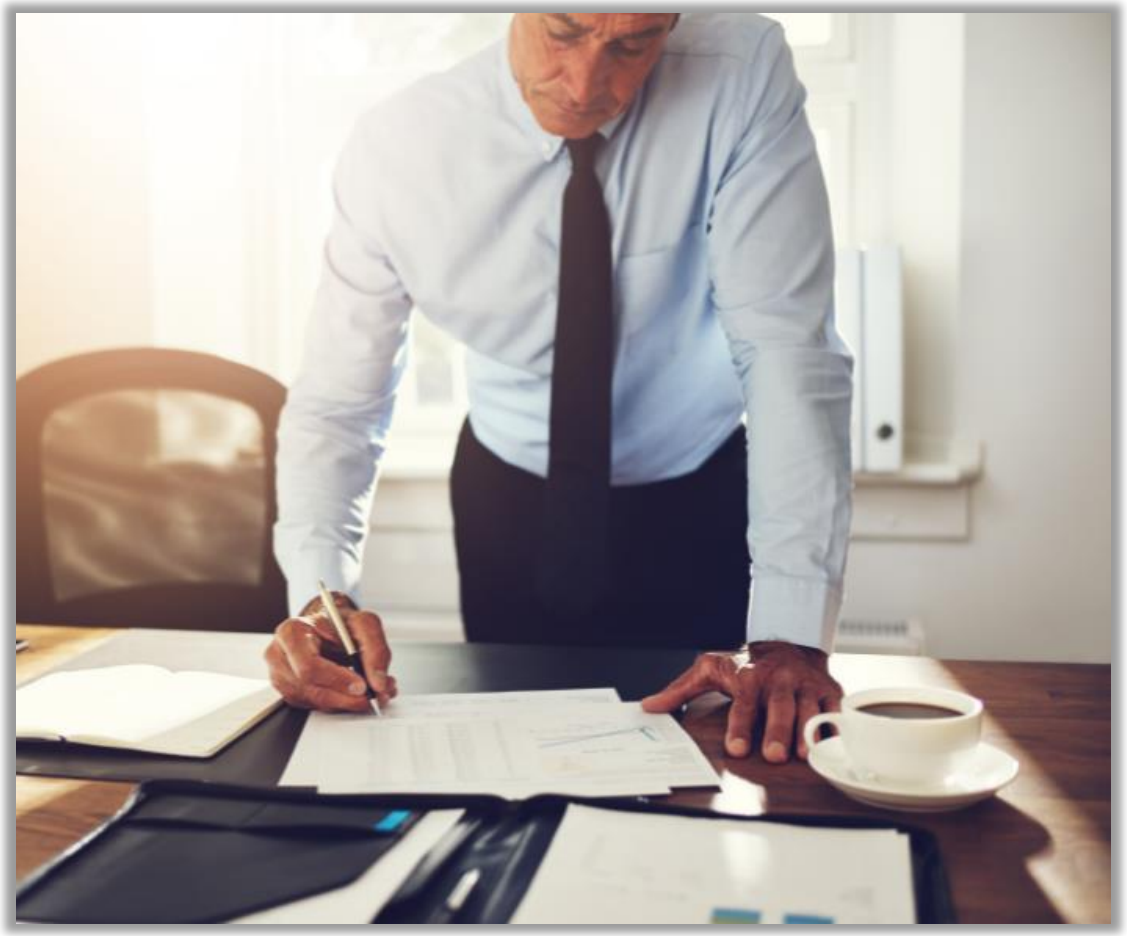
Bridging the Information Gap



The catalyst for developing the SMD was a lack of contextual information during the Great Recession of 2008-2009. In the absence of data, many clubs made poor decisions that resulted in deterioration of their balance sheet over time. We measure balance sheet health as the increase or decline in a club's Net Worth (Unrestricted Net Assets) over time and consider that metric to be the most important Key Performance Indicator.

Introduced in 2019, the SMD achieved the original vision by making it possible for club leaders to make fact-based decisions while watching the impact of the COVID-19 pandemic unfold in real-time.

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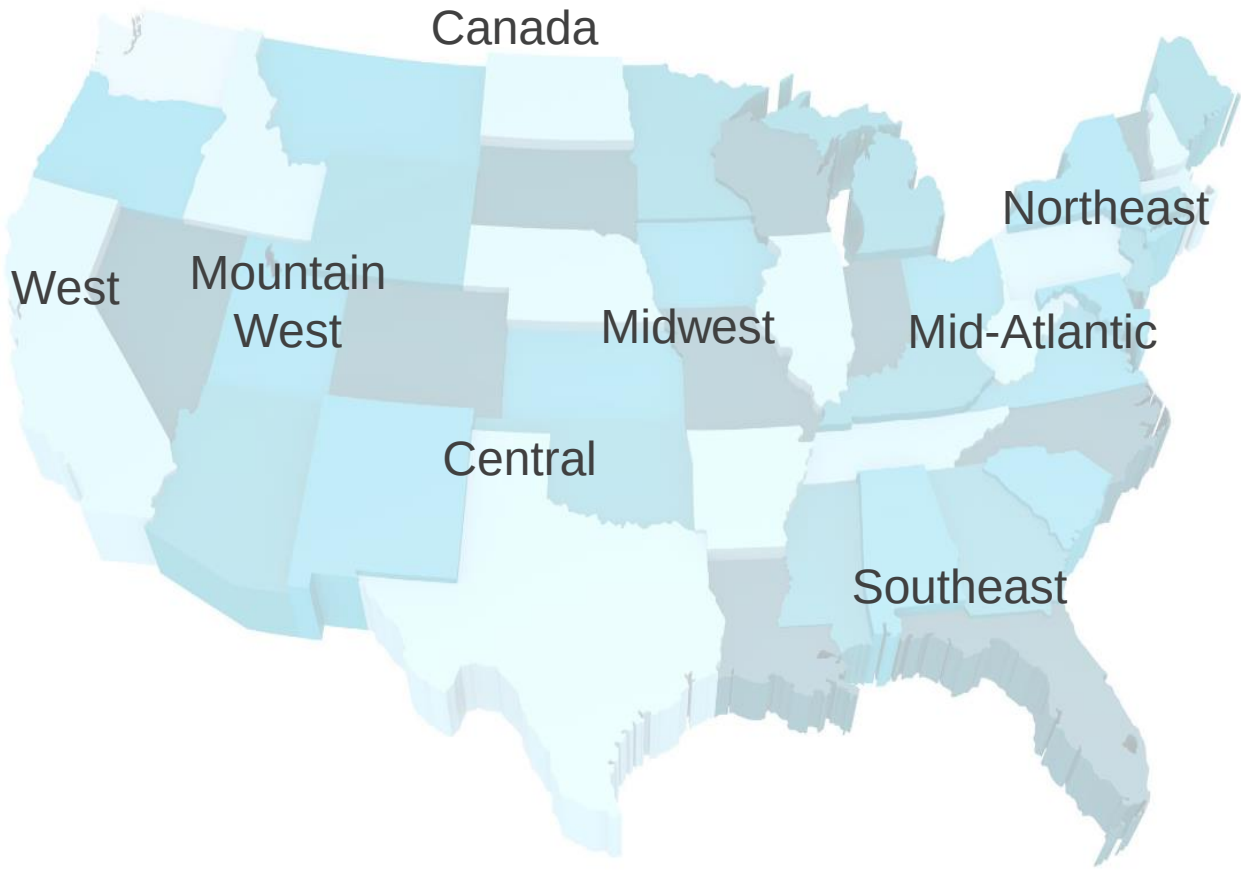
Filtered Benchmarking

Advanced filtering capabilities allow users to analyze their own performance relative to affinity groups such as **regional golf associations**, clubs in a particular geographic region and clubs in specific industry segments such as clubs with golf, clubs without golf, city/athletic clubs, yacht clubs, residential community clubs and standalone clubs with golf.

In addition, an unlimited number of **custom peer group filters** can be created for eight or more clubs participating in the SMD. Access to monthly reports filtered to focus on those clubs requires regular monthly data submission by all clubs in the group.



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Strategic Monthly Dashboard

- Executive Summary
- Membership
- Cost of Belonging
- Initiation Fee & Joining
- Capital & Operational Finance
- Power Analysis

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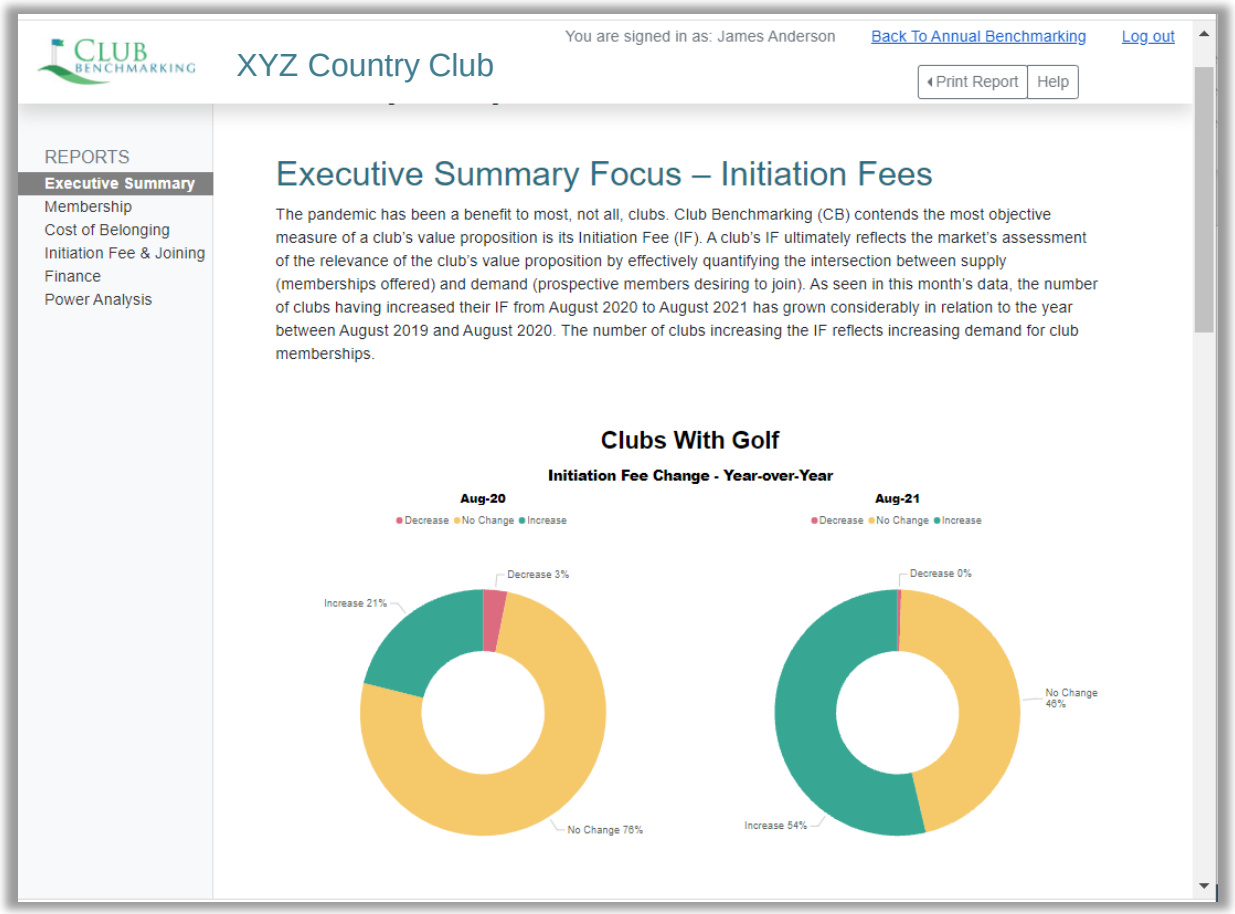
Executive Summary Report

Every month, Club Benchmarking analysts present one or two KPI's that highlight real-time market trends. The **Executive Summary Report** is an analysis of that KPI and the market's performance in the given month. It is intended as a very high-level, strategic view of recent market dynamics.



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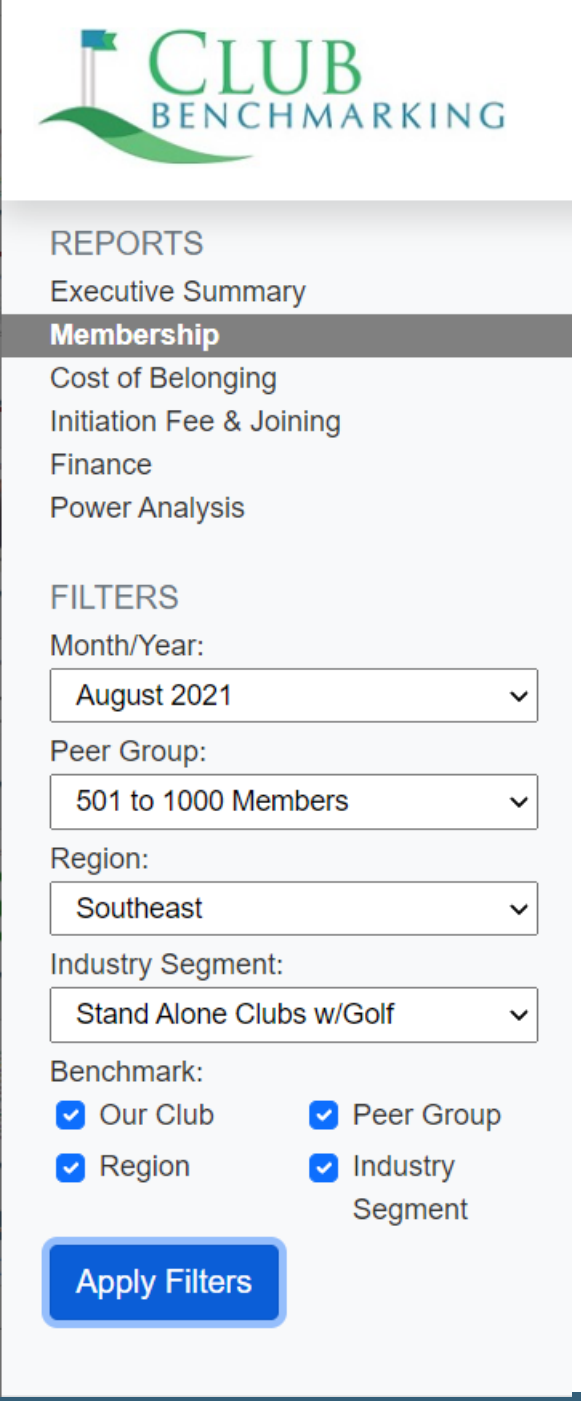

Membership Reports

The Membership Report is designed to show your club's membership trends relative to your local market, your region, and/or to the industry at large. The purpose of this report is to allow all participating clubs to accurately gauge the strength of their membership engine in relation to the market.

Every club experiences constant churn as members leave and join every month. It is critical that club leadership is fully aware of their club's churn trends in relation to the market, yet few clubs have devised a way to measure churn systematically. This is a key aspect of the insight flowing from the SMD. Membership churn reflects how well a club has invested over time and its position as a competitor in the local market.

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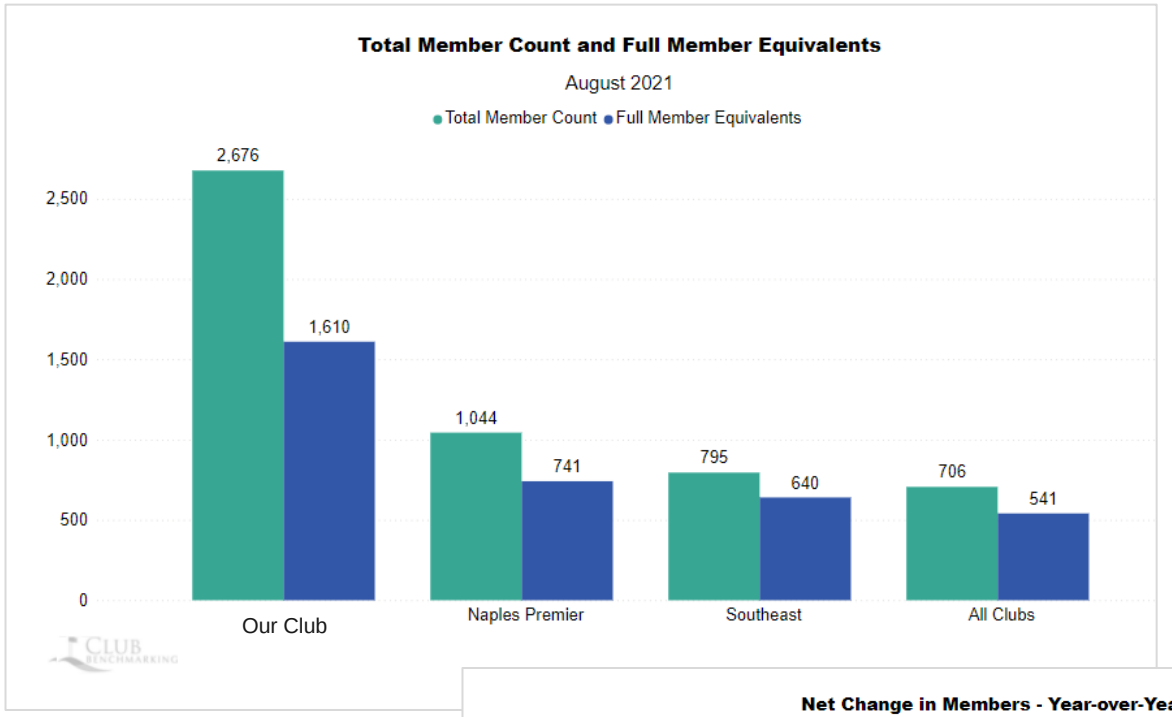
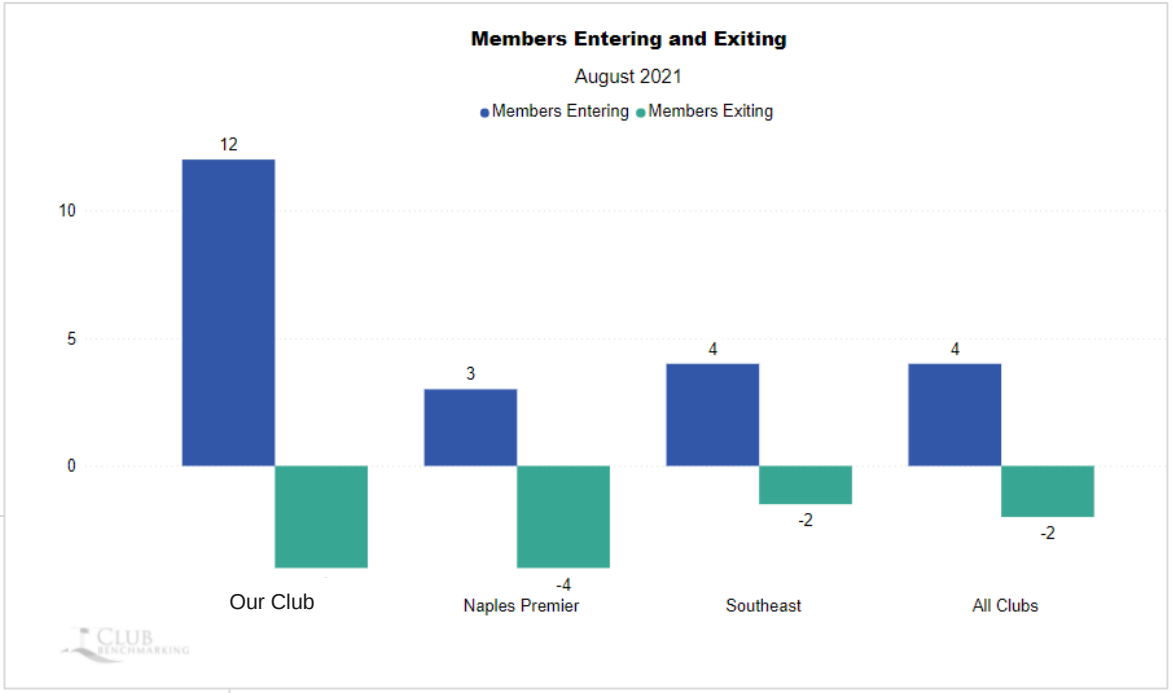
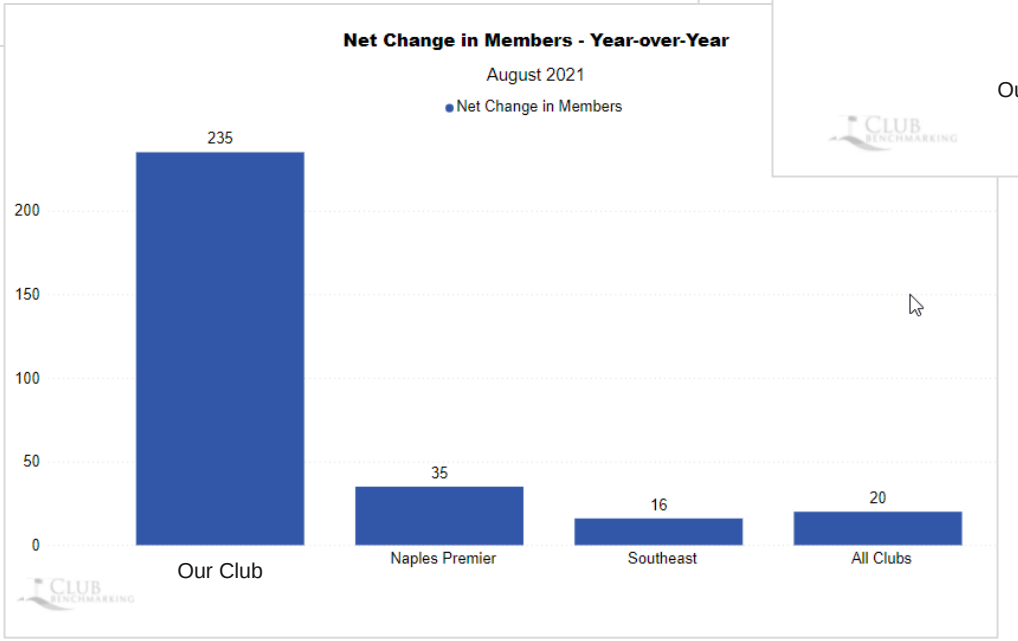
Membership Reports







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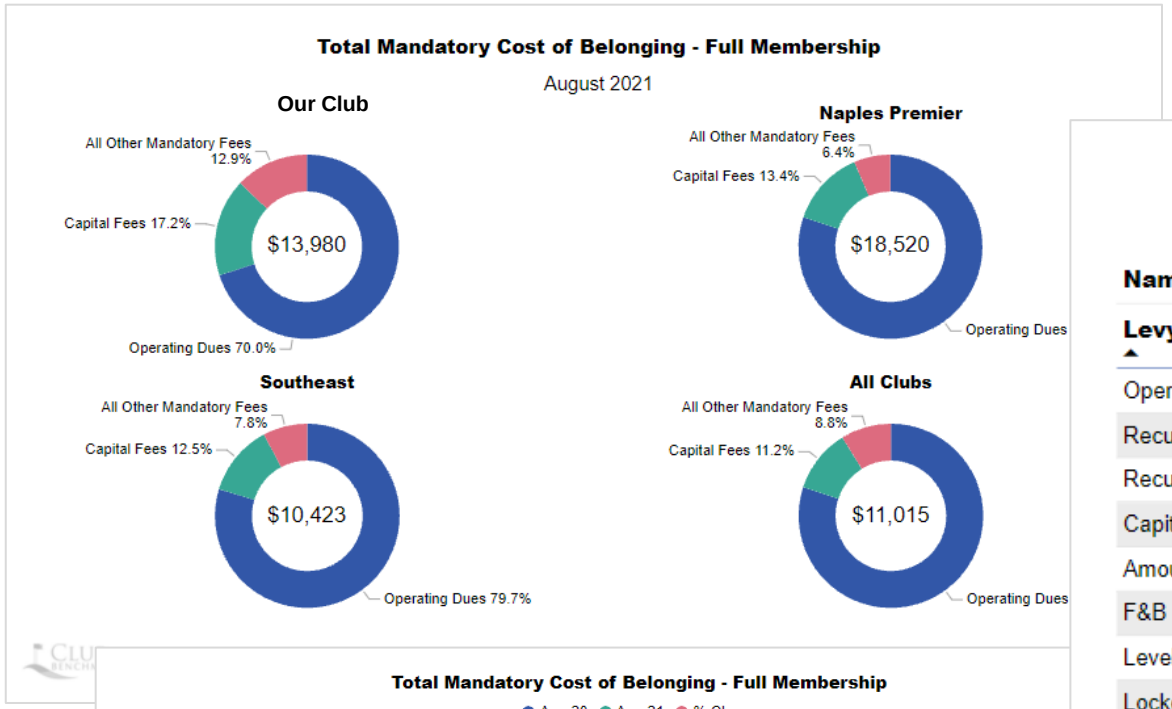
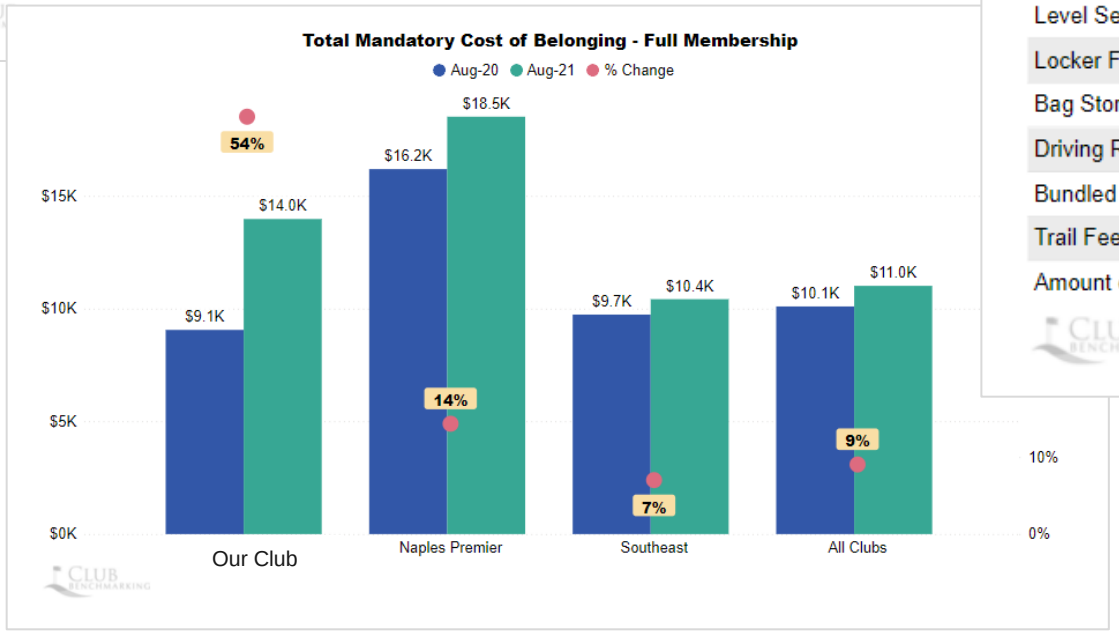
Cost of Belonging Reports





Mandatory Cost of Belonging - Detail

August 2021

Name	Our Club	Naples Premier		Southeast		All Clubs	
Levy Type	Amount	Levy %	Median	Levy %	Median	Levy %	Median
Operating Dues	$9,780	100%	$15,000	100%	$8,076	100%	$8,172
Recurring Capital Dues	$2,400	86%	$2,700	68%	$1,381	62%	$1,200
Recurring Debt Service Assessment				12%	$1,404	17%	$1,200
Capital Assessment				17%	$948	16%	$1,200
Amount of Other Capital Fees				7%	$1,201	5%	$830
F&B Minimum Spend	$900	43%	$1,200	49%	$900	51%	$930
Level Service Fee		14%	$760	26%	$533	18%	$600
Locker Fee	$360	71%	$200	30%	$165	36%	$200
Bag Storage Fee	$180	43%	$180	30%	$125	34%	$142
Driving Range and/or Handicap Fee	$360	14%	$360	28%	$35	37%	$53
Bundled Golf Fee				3%	$290	4%	$400
Trail Fee		14%	$2,100	13%	$1,740	11%	$950
Amount of Other Mandatory Operating Fees		14%	$245	9%	$640	13%	$350

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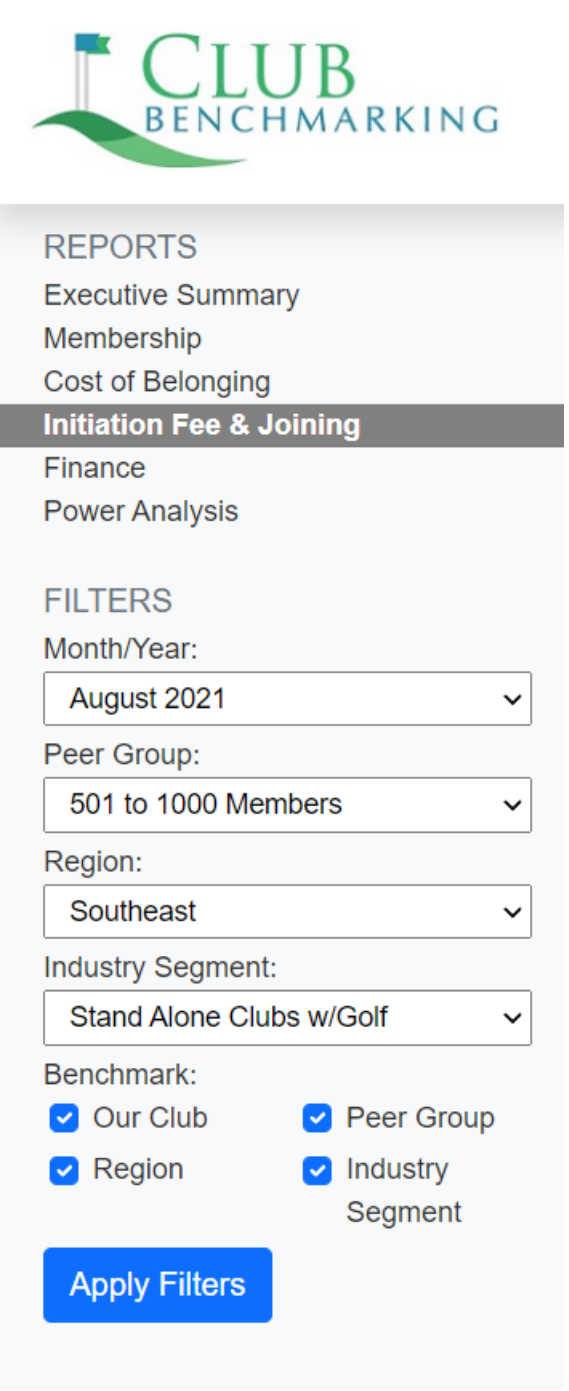

Initiation Fee & Joining Reports

Club Benchmarking contends the most objective measure of a club's value proposition is its Initiation Fee. The initiation fee ultimately reflects the market's assessment of the relevance of the club's value proposition by quantifying the intersection between supply, which is the number of memberships offered, and demand as measured by the number of prospective members interested in joining the club.

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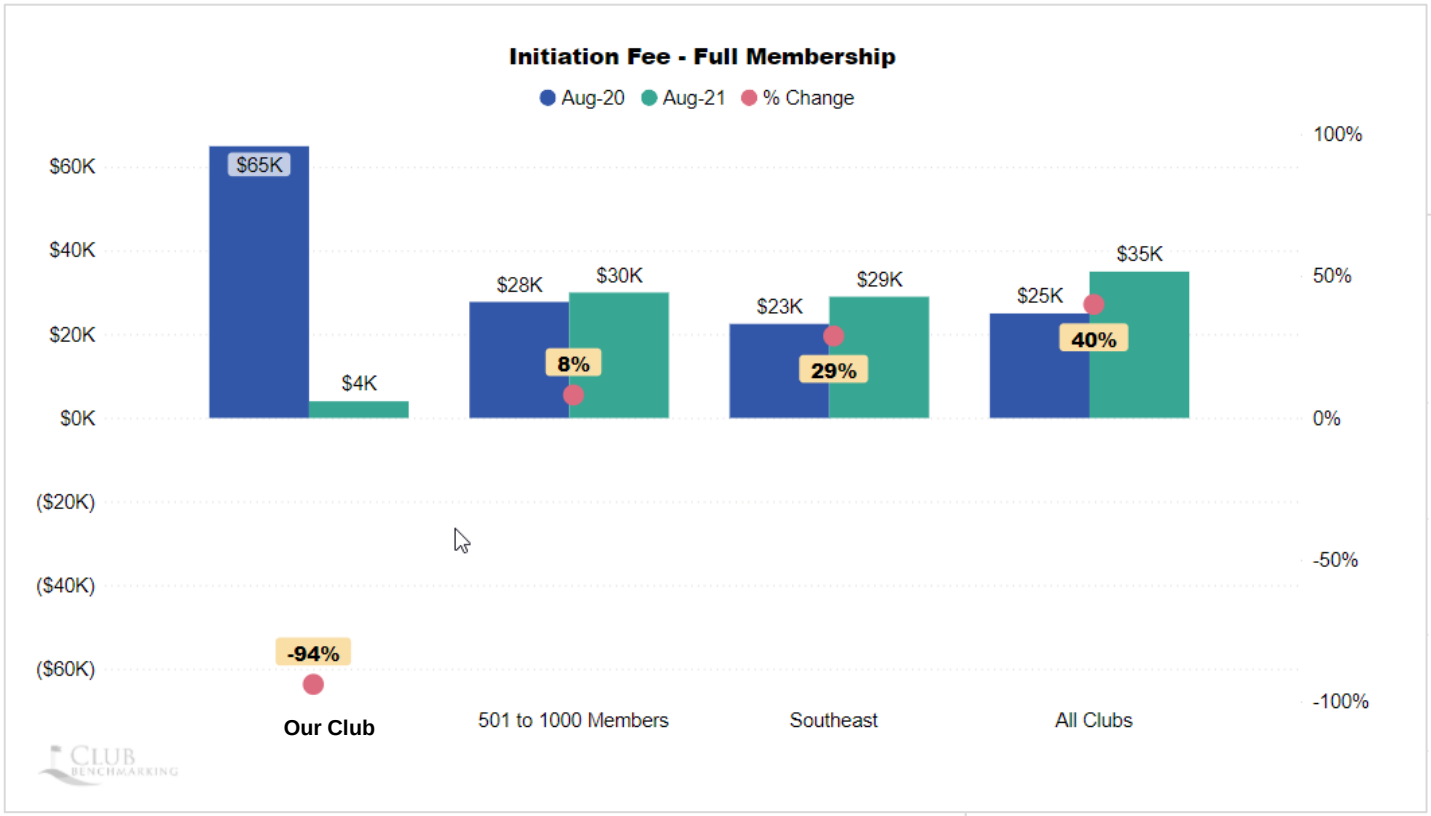
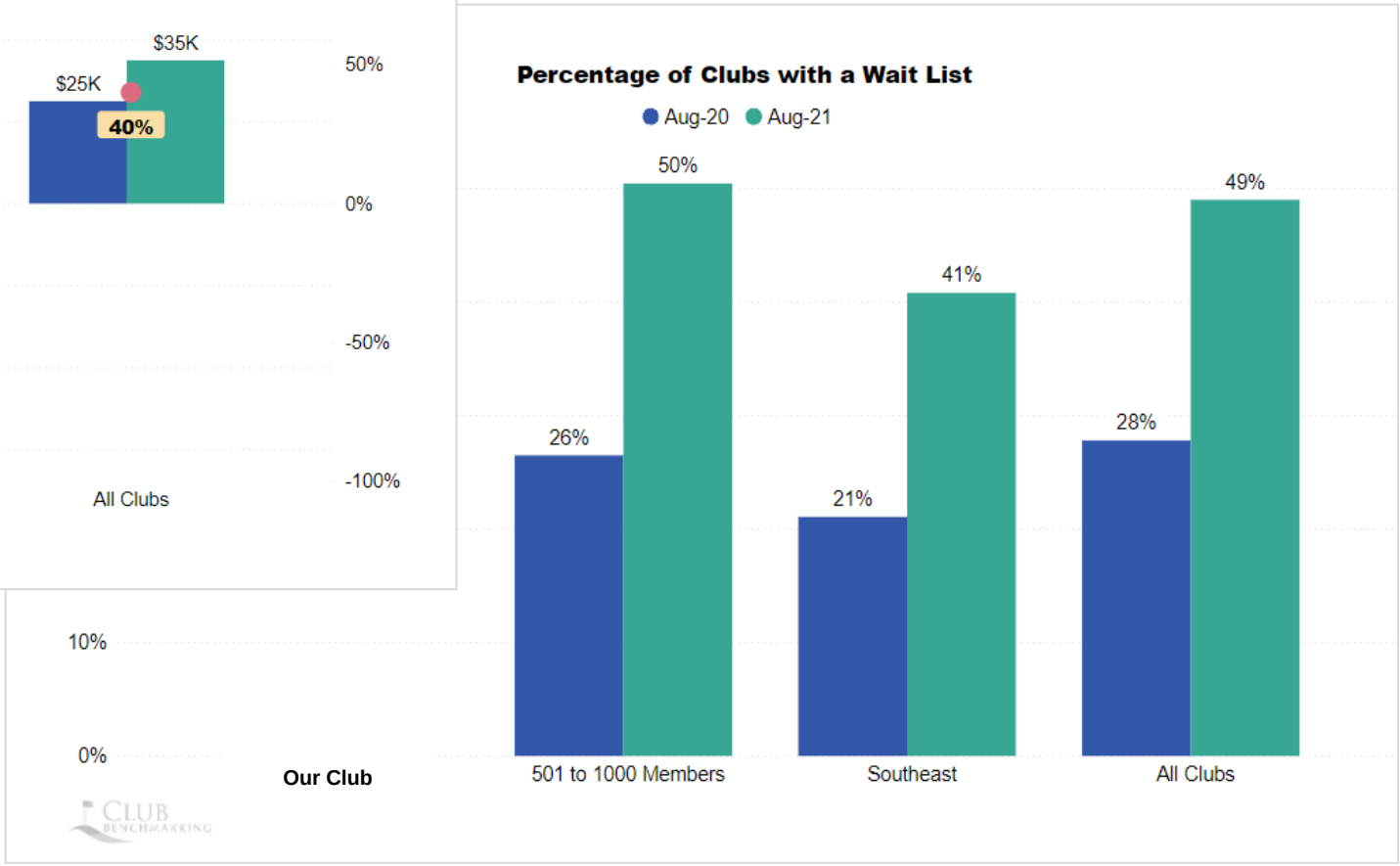
Initiation & Joining Fee Reports





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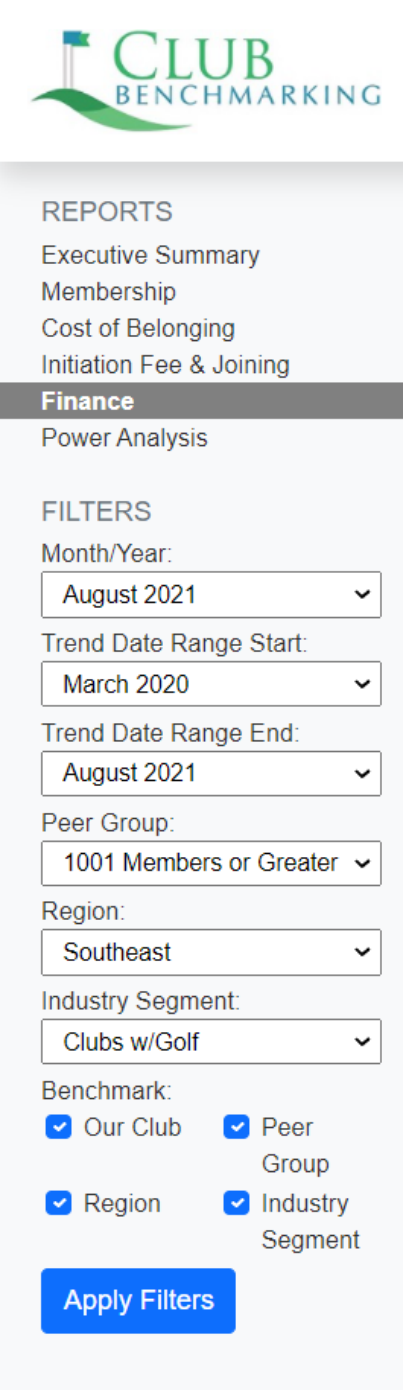

Finance Reports

The Finance Report provides strategic context to help management and boards focus on high-level metrics related to operating and capital finances. Each of the metrics presented; Dues Revenue, Non-Dues Revenue, Capital Income, Debt, Capital Investment measures your club against the median club results for your selected comparative groups.

The metrics on the Finance Report are intended to provide strategic context to help management and boards focus on the club's true financial driver which is the capital ledger, and to measure the strength (or weakness) of the club’s capital engine in relation to the local market and industry norms.

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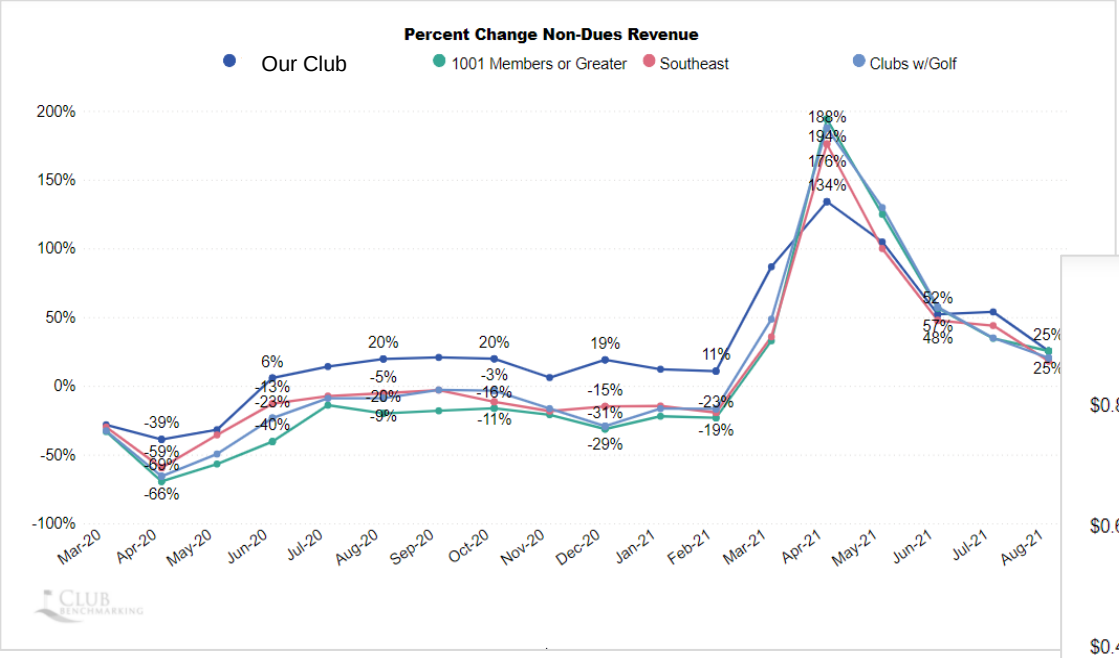
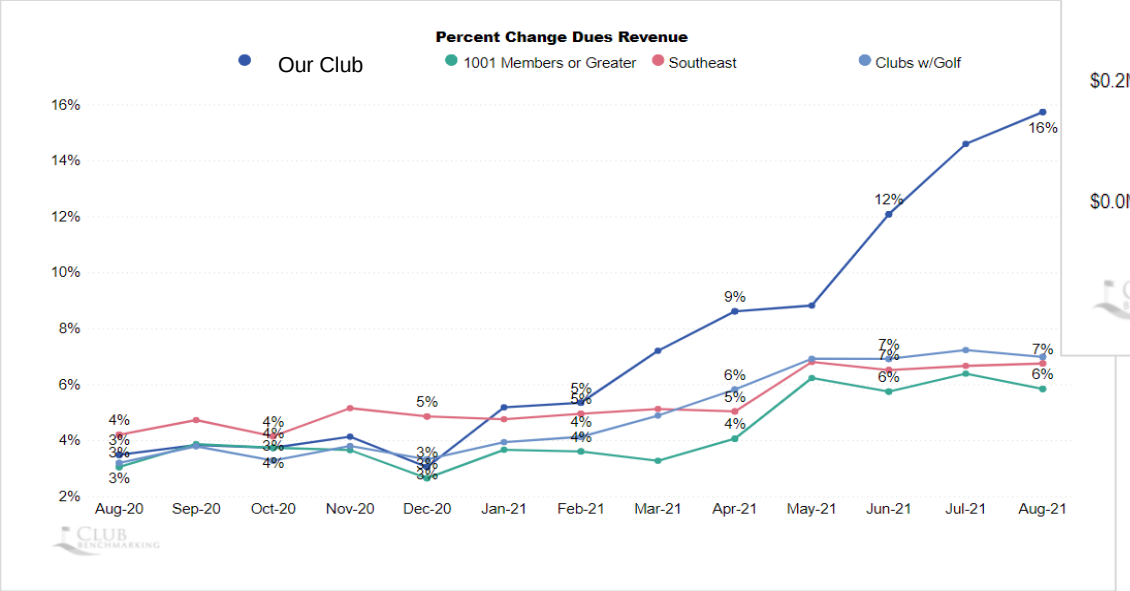
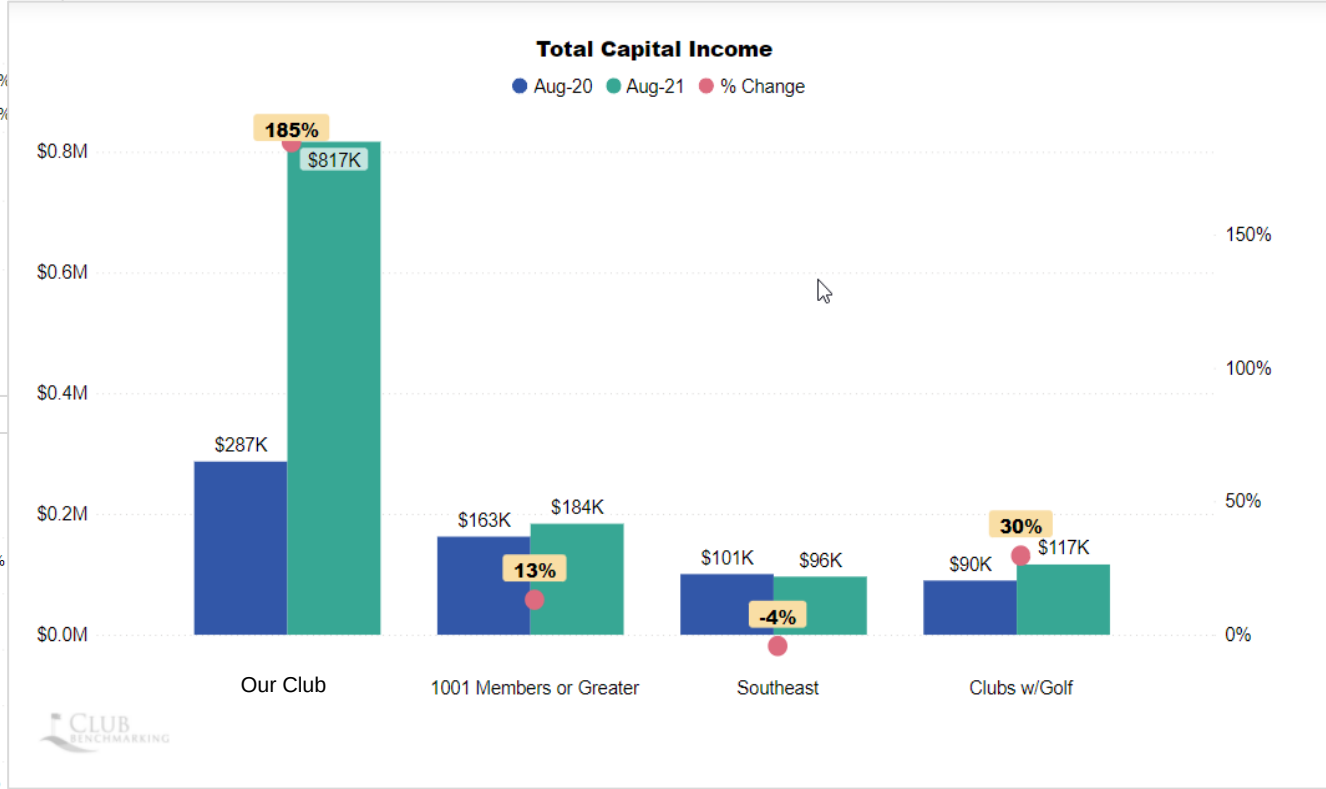
Finance Reports







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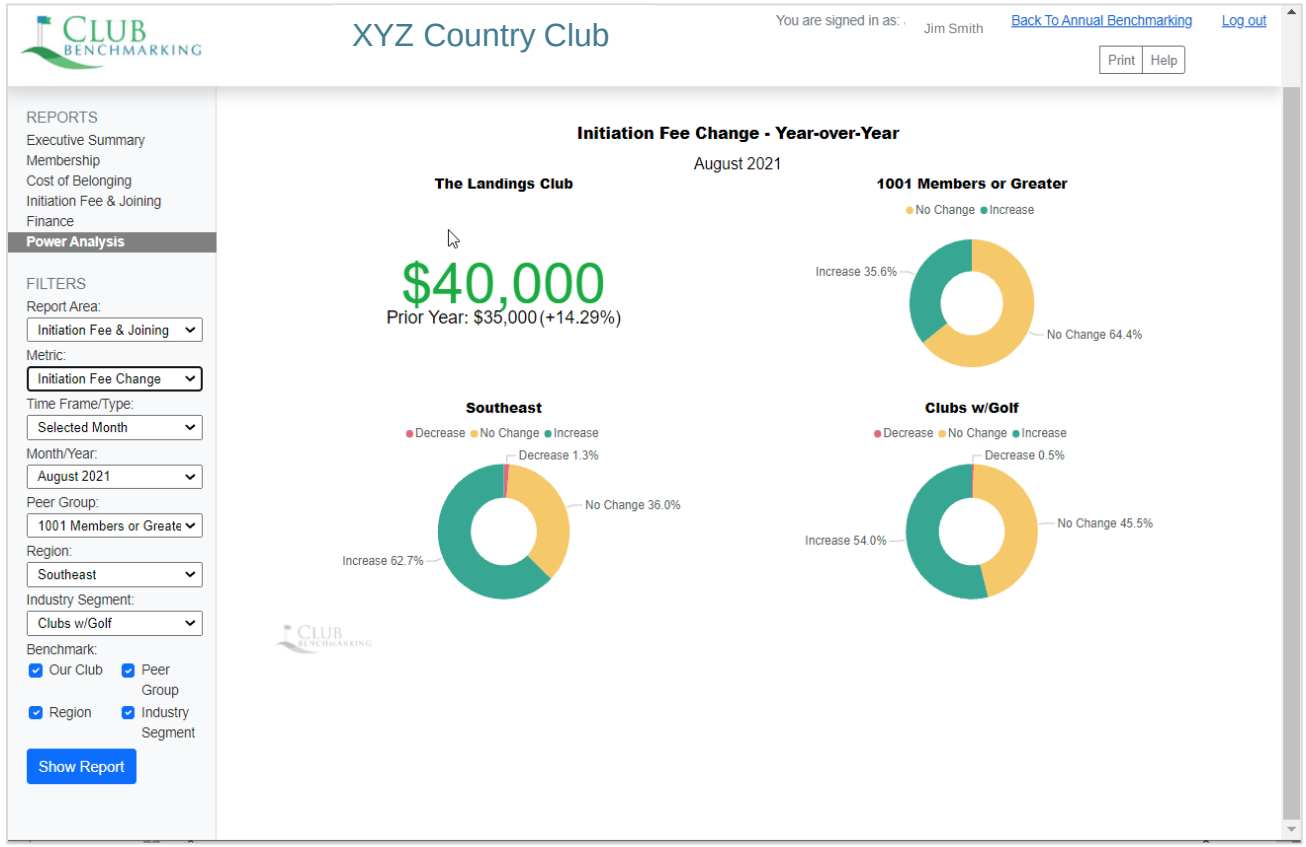
Power Analysis



The Power Analysis tool delivers great user control and flexibility for advanced review and analysis of statistics relating to Membership, Cost of Belonging, Initiation Fee & Joining and Finance. This feature, new in Version 2.0, is a significant change in terms of options for analyzing a wide range of metrics and timeframes.

There are more than 50 metrics reported in the Power Analysis tool. The user selects the metric, the time frame (current month, same month year-over-year, sequential monthly trends with choice of start and end), and the comparative benchmark (region, peer group, industry segment or our club only).

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To get started using the **Strategic Monthly Dashboard**

visit www.clubbenchmarking.com/monthly

For questions about the SMD, contact

Chris Davis, Club Benchmarking Director,

at cdavis@clubbenchmarking.com

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Club Benchmarking Offer to New Jersey Golf Summit Participants

1) Net Worth & Balance Sheet Metrics Report

2) Strategic Monthly Dashboard

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Thank You!

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