

How Will Clubs Survive The Next Two Years?

IF YOU'RE MY AGE OR OLDER YOU'VE SEEN NUMEROUS ECONOMIC CYCLES INCLUDING DEPRESSION, RECESSION, HYPER-INFLATION, STAGFLATION, ALONG WITH PROLONGED PERIODS OF PROSPERITY. THIS TOO WILL CHANGE!

Actually it may get worse before it gets better but it will change. Nothing stays the same and if you can step back, take a deep breath and not panic you can actually benefit from any of these cycles or at least survive.

OUR CURRENT SITUATION

We're all painfully aware of what has been creating those restless nights and difficult board and staff meetings over the past couple of years – Market fluctuations that are difficult to comprehend; unprecedented government involvement with our banking and financial systems; decline of our political system using negative partisan politics to divide our country, which keep us from focusing on the real issues.

Inflation is increasing with food and beverage and other product and material costs are increasing at a rate that's difficult to adjust to. Unemployment rates are growing and impacting our members. The uncertainty of the cost and availability of oil and other energy sources is on everyone's agenda. The reality of increasing taxes and decreasing tax breaks is on the horizon and who knows what the impact of those "political" strategies will bring.

Our sector of the hospitality industry is experiencing difficult

times, especially if you are involved with a development country club that's still trying to build its membership. Membership enrollments have dramatically declined and the ability to collect high Initiation fees and deposits is a thing of the past.

Many clubs are scrambling to adjust and are offering "special" membership programs, discounts, financing programs and more. Usage is declining and golf rounds are struggling in most markets.

If you are competing in the "semi private/public" sector you are probably discounting your greens fees to keep attracting golfers to your club/course. Members are experiencing financial hardships at a greater rate than we are used to and as a result we continue to try and minimize our member attrition rates.

Members on the sell/resign list are growing and that is creating disgruntled members that need to have some relief from club dues and assessment charges.

So what should we expect to see over the next two years? The current situation will continue (at best) for the next two years. There are no short-term solutions to most of the issues that are causing problems for management and club members. Oil supply will not increase and oil usage will continue to grow here while China and India will continue to increase their oil usage geometrically as they bring their economies into the 21st century.

The residential real estate markets may start to slow their decline in sales and prices, but no one is pre-



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dicting a turnaround in this sector over the next 12-24 months. The next area to see softening will be the commercial real estate markets and this will not be good news. Employment trends are not encouraging and retail sales are soft. The stock market has experienced some of the most dramatic ups and downs since the great depression. We can't predict the actual outcome of changes in our tax policy over the next couple of years. Political instability will continue as our President and Congress try to bring about an end to our current instability.

Don't panic! You are not alone and there are strategies you and your board can use that will help position your club for the eventual turnaround.

The first advice is to stay informed of what is happening in the local, regional, national and international markets. Research and study the past down cycles; if you're not a student of history you are doomed to repeat it.

Make certain you are not cutting muscle as you look to cut the fat from your operations. Let's define muscle as your most talented and valuable staff, the standards that your members expect, member activities that are club traditions, member and staff commu-

nications. And keep the integrity of your membership offering positioned to benefit not just the club, but also existing members.

The mistakes I see all too often are shortsighted business decisions by managers, owners, and/or boards with no view of the consequences these decisions may have in the long term. Once you cross certain lines you will put yourself and the club in a downward spiral (possibly “death spiral”). It will be very difficult to recover from bad short-term decisions when times are better. You must “bite the bullet” and keep talent, standards, traditions, and communications at the appropriate level.

How do you accomplish this?

- Member focus groups and surveys to stay in touch with member situations, expectations, and level of satisfaction
- Strategic plans that are current and being followed
- “Sharpen your Saw”
- Stay current with the industry through continuing education programs
- Stay current by reading industry and other related publications
- Making sure your club governance documents and systems are updated and current
- Benchmarking successful clubs and other hospitality related operations
- “Stay focused on your “club’s vision”
- Use your resources including staff/employees, board members, developer and owner’s resources, and other club managers that are beating the odds.
- Seek outside help from industry associations, industry experts, consultants, and management companies
- If you are not willing or able to follow these approaches keep your resume updated!

You have many options available to you, but the one option you can’t afford is doing nothing and hoping this will all go away. Leadership strength or weaknesses show clearly during difficult times.

Most developers/owners and boards are looking to their general managers to provide leadership and options to solve these problems while weathering the storm in a dignified way with integrity to the “club’s vision.” **BR**

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