

THE ECONOMIC FUTURE OF CLUB OPERATION

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No matter whether a club be large or small, it is becoming more and more difficult to maintain on a paying basis. The problems, and the complexities of day-to-day management are best solved through a communion of ideas that are the natural by-product of meeting together.

If a financial surplus is accumulated, the manager is subject to criticism, for the member believes such surplus represents a failure to provide benefits to which he is entitled. On the other hand, to incur a deficit is to portend an assessment which he usually feels to be inexcusable.

Let us look at the economic picture in club operation across the country and see whether the future for a club manager is a rosy one.

In the annual study of our firm, we found the average annual net operating cost per member to be \$286 in country clubs. Balance these costs against your annual dues, and little remains for debt service, capital improvements, etc.

The Private Party

The ace in the hole to most club managers is the member-sponsored banquet or private party.

Recently, the public press has given considerable coverage to rulings by the Internal Revenue Service in respect to this source of club income. This agitation is not new and will be revived from time to time in the future. A manager must be extremely discreet in scheduling such events, limit any affirmative solicitation and make certain that in fact they are member-sponsored so as to insure the non-profit tax status of his club. Under no circumstances can the club afford to enter into open and direct competition with the commercial restaurant.

Although a club member is usually aware that the frequency of member-sponsored parties is his best insurance against an assessment, he nevertheless is inclined to resent any specific in-

NEW MEMBERS OF THE USGA

REGULAR

Bakerstown Golf Club	Pa.
Brookhaven Country Club	Texas
Champions Golf Club	Texas
Green Meadow Country Club	Mont.
Monroe Golf and Country Club	Ga.
Oak Meadow Country Club	Mo.
Panhandle Country Club	Neb.
Riverton Country Club	Wyo.
Timberlane Country Club	La.
Twin Oaks Country Club	Mo.
Williamsburg Country Club	Va.
Willowbrook Golf Club	N. Y.

ASSOCIATE

Bethel Inn	Me.
Elm-Brooks Country Club	Iowa
Gunpowder Golf Club	Md.
Orchard Hills Country Club	N. J.

vasion of his club's privacy. To maintain a proper balance in scheduling these events requires considerable perspicacity.

Patronage

Even though the membership of the club be high, it is usually a small segment that regularly patronizes its revenue-producing facilities. An analysis in one of the larger San Francisco country clubs during the two peak-volume months indicated that, on the average, 28 per cent of its membership did not patronize the club at all and 40 per cent spent \$5 or less per month. When we consider that, exclusive of admission and transfer fees, only about 30 per cent of the average club's income is derived from dues, this lethargy in patronizing its revenue-producing activities is appalling.

Many plans have been offered as a cure for the problem. The most often mentioned is one whereby each member is required to spend a fixed amount each month for food and/or beverage. Usually these monthly quotas are cumulative but must be consumed by year end. Although the plan may accomplish its purpose financially, it has not proved too popular. In country clubs, many members retain their membership solely for sports

activities and resent being forced to swell food and beverage sales. Furthermore, the cumulative feature is exercised by too many members at the same time, placing an undue strain upon operating facilities at certain periods of the year, particularly during holidays.

Since November 1, 1958, the entire amount of such minimum charges is subject to the 20 per cent Federal dues tax, whether used or not.

Taxes

The trend of city workers to suburban living is leading to increased values in land occupied by golf courses. In suburban San Mateo County, Cal., the assessed valuation of the land owned by eight golf and country clubs increased 122 per cent in 1957-58 over that of the previous year. To move to a less central site, where rents or real estate values are lower, would be almost suicidal. Just how long club income can keep pace with increased rents and taxes is a matter for serious conjecture.

Dues

There are those who logically reason that club facilities are always available to all members, whether or not they see fit to use them; therefore, that all fixed operating charges should be borne equally through the members' dues and that any departmental profit should be reserved for improving those facilities which are their source. This, of course, would mean a sizable increase in the dues structure of most clubs.

We are certainly becoming more and more self-conscious about our spending. Club dues usually fall into the category of non-essentials and are likely, therefore, to be number one in that line of things we can do without. Any material increase in dues should be considered with the utmost prudence.

One should not think in terms of raising prices and/or dues until maximum profits are obtained from present operations. That means putting the club operation on a business basis, for in a final analysis it is a business and some clubs are big business.

Good Management

Let us consider, therefore, the ingredients of good business management for a club.

The responsibilities and authority of

the board, officers and employees, as provided in the by-laws, should be clearly set forth in an organization chart. Every club needs such a chart. Even though the chart be simple, it must clearly delineate the flow of authority from the Board of Directors to the officers and down through the entire organization. It then provides a definite plan of operation, a definite assignment of responsibility and adds in the attainment of smooth, harmonious personnel relations.

The advantage of the traditional distribution of duties among various committees may often become a disadvantage. The inability of committee members to devote sufficient time to club activities tends to place committee chairmen in the position of an executive committee with the manager as an assisting member. In many instances a manager has assumed the responsibilities of numerous committees. However, where this is not considered desirable, more effective continuity in the membership of the principal standing committees should be developed.

The change of officers and committee members each year presents a pressing problem, for no matter how successful the appointed member may be in his own business, generally he is not familiar with the peculiarities of club operation. If the tenure of office for both directors and standing committees were to be staggered so that only one-half or one-third of their membership were changed each year, a more constant and competent operating policy would be assured.

Although the club manager serves in a full-time capacity, the board and committee members are usually engaged in their own businesses. A manager, therefore, must be given the opportunity to take the initiative by offering his services and know-how to facilitate the functioning of these various committees.

Budget

A budget is a financial plan for future operations. Budgeting is essential as a guide to operations, to reduce the number of unforeseen contingencies and to preserve a favorable current position. Such a plan should indicate your best estimate of income from dues and other sources. All types of expenditures should be forecast so that they can be held within the limit of income.

A club budget should be prepared to achieve reasonable and concise methods of control and to avoid the pitfalls of operating without a plan. Good organization is essential to successful budgeting.

It would be impractical to attempt to control expenditures if authority and responsibility for incurring them had not been well defined.

Comparisons of present operations with past results within a club, as provided by budgetary control, although advantageous are not enough. Learning through trial and error is slow and expensive. How much better it would be if a club manager could check the operating results of his club, from year to year, with those of similar clubs by adopting the Uniform System of Club Accounting.

It would help to eliminate friction between club management, governing boards and committees and would provide a guide for efficiency in club management. At times managers are criticized because it appears they have made a poor showing in operating results in comparison with other clubs. Without uniformity in accounting procedure, the same facts can be presented in ways so different that the value of comparison is completely destroyed. While differences in accounting treatment do not change the net result, there would be sufficient differences in departmental exhibits to destroy the value of comparisons between the details of operations.

Cost Control

Again, based upon the Harris, Kerr, Forster & Co., statistics, in country club operations about 65 cents of the income dollar is derived from food and beverage sales. Profits from these departments, therefore, become a most important factor in the economic future of club operation.

It does not make sense that profits realized from sales to a member at the bar should compensate for a loss on the sale of steaks in the dining room. If this be true, the success or failure of the revenue-producing departments of any club is dependent upon the ratio of beverage sales to the total food and beverage income. This is fundamentally unsound, for each revenue-producing department of a club should at least stand

on its own feet. To attain that goal is to implement adequate cost control.

During recent years our firm developed for hotels a comprehensive and effective cost control procedure for food and beverage as well as a system for pre-control of payroll. A blanket application of these systems in most clubs would be too detailed and expensive to operate. However, there are certain fundamentals on which these systems are based that are essential to the economical operation of a food and beverage department.

The fluctuating food commodity market has forced us to be alert to the advantages of shopping the market for price and quality.

It seems necessary to follow up with a second step: seeing that we receive that for which we pay. The man who receives must be just as skilled in recognizing quality as the man who purchases. If a club be large enough to justify a receiving clerk, then he must be selected and paid in relation to his ability to do the job. If a club be small, then the manager must assume these responsibilities.

There is little difference between a bank and a storeroom. One is for the safekeeping of money and the other for the safekeeping of supplies. Inventory, like money, is of little productive value unless it is working for its possessor, and there must be frequent turnover if maximum profits are to be obtained.

A heavy investment in food for the purpose of gain through market fluctuation is hazardous and often costly. Any savings experienced through buying in quantity is usually more than offset by storage and handling charges, property taxes, insurance and loss of the productive value of the capital invested. In storing perishables over a long period, the operator must run the risk of deterioration and spoilage and the possible loss in weight through dehydration. It is an old but still reliable admonition that "there is no future in buying futures and no bargain in food."

Course Rating

The women's course rating for the Country Club of Buffalo, N. Y., is 72. The rating of 74 reported in the April issue of the USGA Journal was in error.