Article appeared in Clubs & Facilities Support – News 24/2/16

Why your focus should be on membership

The American club managers cut to the chase when they say, "we're in the dues business". Dues, or as we call them, subscriptions, are no-doubt the most important income source of any club. In fact, they are even more important than represented in many club annual reports. What, you say?

Many annual reports show a pie chart of revenue and a pie chart of expenses, each broken into its various portions. In the revenue pie the biggest piece is subscriptions (often 50+%), second is food & beverage (F&B) (often 30+%) and the third is generally green fee revenue with some non-operating activity or other income such as golf shop (if in-house) making up the remaining portions.

Look across at the expense pie and the F&B piece will often be there and about the same amount (30+%). The reason is that the F&B income, unlike other income, is just so saddled with cost. The more F&B sales increase, the more F&B costs increase. For this reason, in the vast majority of clubs, F&B has little bearing on the overall financial health of the club.

Club Benchmarking in America reports that in 70+% of US clubs, F&B is a cost to the club or at best breaks even. On average, clubs spend 3% of their nett income on F&B. The story in Australia is slightly more to the profit side of the ledger but the fact is, in most clubs F&B has a relatively small net impact on overall profit or loss. There is a clear correlation between the size of the club and impact of F&B to financial health. The larger a club gets, the less impact F&B has on its financial health.

Now, let's go back to the annual report. To remove F&B from the pie charts gives a more accurate visual of what's really happening at your club. Many clubs now do this.

Club Benchmarking, the US tool that is utilised heavily by GMA clubs in Australia, suggest that clubs see their revenue sources, not on the traditional model of revenue v expenses, but as an available cash model. The available cash model identifies the parts of the club operations that actually impact on the club's financial health from those that don't. So when a club with a turnover of $5m, and F&B sales of $1.3m, produces a net profit or loss of $80,000, the F&B result, whether positive or negative, is not having a significant impact on the financial health of the club. For this reason clubs should see their F&B as an operational service issue, more so than a key strategic issue.

This greater understanding of the limits of F&B revenue, leaves a light shining more brightly on the importance of subscription and green fee revenue. The key message here for clubs doing any level of strategic planning is to focus on membership first and foremost with other highly profitable income such as green fees as the next most important.

For more information visit http://www.golf.org.au/membership