An Exploration into the Marketing of Country Club Management: Member's Motivation

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Introduction

Riverside Country Club (RCC) is located in Palm Springs, California. RCC community is a gated residential real estate development with the private country club located in the center of the community. The developer of the community has just turned the club over to its members as the real estate development is near build out. The country club was used as an amenity to help sell real estate, but now that the real estate in the community has been initially sold the developer turns the club over to the members. Hence, the club is a stand-alone business entity selling equity memberships, which means the members now own the club (Barrows & Ridout, 2010). The country club is composed of five golf courses, eight tennis courts, two clubhouses, two fitness centers, and multiple food service units. The club employs more than 300 staff members during peak season and approximately 150 employees during off-season. The club business in Palm Springs is seasonal, meaning that their peak season time is November through April, and the off season is May through October.

The community consists of 3,000 residential homes, and membership in the club is optional for those that live in the community. The club has sold 2000 memberships and has another 100 initial memberships to sell in addition to replacing members through normal attrition. The club offers two equity membership options: golf and sport (social, pricing at $100,000 and $50,000) respectively. The members are now in control to operate the club through the Board of Directors (BOD) who own and operate the club as a stand-alone business entity, as the developer has turned the governance over to its members.

With the closing of the real estate office after turnover, the country club is faced with entering the membership sales business without the real estate office providing the sales force, creating marketing opportunities, and subsidizing the country club operations. The club becomes a stand-alone business unit and its purpose changes from a real estate sales tool to existing only for the satisfaction and enjoyment of its members. The club becomes an operating business without the knowledge or experience to sell its most important asset, the membership. The club never had to worry about why members joined the club because the real estate developer handled sales through the real estate office and through new sales. This creates a membership dilemma.

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Background

Private country clubs

Clubs are an important sector in the hospitality industry as they provide products and services similar to the resort business or hotel business to their customers - members. There are many different types of clubs including country clubs, golf clubs, dining clubs, yacht clubs, tennis clubs, and corporate clubs. In particular, a private country club represents a collection of individual or business units that offer a variety of amenities, including golf, tennis, fitness, restaurants, and social activities (Perdue, 2007).

The primary business of residential golf course developments is new real estate sales, and the secondary business is membership sales. Developers focus on real estate sales utilizing the country club as an amenity to stimulate sales (Nicholls & Crompton, 2007). Developers have an on-site real estate office utilized to facilitate sales. The office is closed after turnover when all lots are sold to initial retail buyers. Real estate sales are more important than membership sales for a developer because the home purchase is a larger sale than a membership purchase typically in a club environment. For example, the median priced home in Palm Springs in March, 2015 is $399,000 (Zillow, 2015), while the average club joining fee is $25,000 (Club benchmarking, 2015). Also, a developer operates the country club temporarily until the real estate is sold out and does not typically worry about the long term sustainability of the country club. The primary business of a country club after turnover from the developer is membership sales, since most country clubs are not in the real estate business.

Clubs offer different types of memberships such as a golf membership, or a sport/social membership. A golf membership usually has access to all of the amenities of the club, while the sport/social memberships may use the rest of the amenities except the golf courses during peak season. Private country clubs are funded by charging an one-time fee for membership joining and annual dues that fund the operations of the club (Ferreira & Gustafson, 2006). The joining fees are reflective of the privileges of membership as the golf membership, which has access to the golf courses, costs more than the sport/social membership (which don't have access). Private clubs may also use the amount of the joining fee as an indicator to potential members of the exclusivity of its membership. Clubs' joining fees can go for as low as a zero to upwards of $250,000.

Additionally, members of the club pay usage fees to utilize the amenities and pay dues that support the financial operations of the club. Examples of usage fees in the club business are for food and beverage purchases, golf cart and green fees, merchandise purchases, fitness and tennis lessons, and room rentals. Country clubs offer the members an experience based on a limited number of users as compared to a public facility. The private club members use the club with other members and develop relationships with the other members (Ferreira, 1996). Also, because the staff will only serve a limited membership base, club employees develop significant personal relationships with members over time.

Members in the private country club are the lifeblood of the clubs to maintain their business (Fornaro, 2003). Members leave a club for a variety of reasons each year, including job changes, physical injuries that prevent them from using the amenities of the club, family issues, economic issues, or changing clubs. A typical club loses 6% of their existing members on average each year (Club benchmarking, 2015), which indicates that the club should to recruit new members in order to survive. A 6% attrition rate for 2000 memberships requires the club to replace 120 memberships a year to keep the same membership level. RCC is a new club trying to establish a membership base and will attempt to sell more initial memberships a year, in addition to having replace their current membership at a 6% attrition rate.

Country clubs are diverse business units operating under a Board of Directors composed of club members who govern the club through the general manager (GM). The successful GM of a club often must possess knowledge of business, management, accounting, human resource, tennis and fitness, asset management, landscaping, golf course management, and food service management (Perdue, Woods, & Ninemeier, 2001). The individual departments report to the GM including the director of golf, tennis, fitness, food and beverage, and membership director.

Palm Springs

Palm Springs is an affluent town in Southern California. Palm Springs is home to many private golf course communities. It is ranked 56th out of 363 in the U.S. metropolitan area for golf courses (National Golf Foundation, 2013). The weather is very desirable in Palm Springs during the winter months. The people who reside there seasonally during the winter are collectively referred to as snowbirds and originate from areas spanning from Northern California to Minnesota. Californians are considered to be laid back, friendly, and slower-paced than people from the northeastern part of the United States (Pedersen & Frances, 1990). Members of private clubs often produce a certain culture that is heavily influenced by the geographical origin of their members (Hawkins, Roupe, & Coney, 1981). Most of the members of RCC are seasonal and live in other areas during the summer months.

Theoretical Underpinning

Motivation has been referred to as a need /desire that energizes behavior and directs it toward a goal (Myers, 2004). Many disciplines have been utilized to explain phenomena and characteristics related to motivation. Crompton (1979) described seven socio-psychological motives (internal) which served to direct pleasure vacation behavior. The motives were escape, exploration and evaluation of self, relaxation, prestige, regression, kinship relationships and facilitation of social interactions. Iso-Ahola (1982) identified seeking and escaping as the perceived reasons for traveling and for leading to potential satisfaction. Iso-Ahola focused on leisure activities which provided intrinsic rewards and provided an escape for everyday routines.

The Push/Pull Theory of Motivation (Dann, 1977) is one of theoretical frameworks, which has been used in the tourism context. Push and pull factors are motivational influences, which drive the behavior of the individual tourist (Dann, 1977; Dann, 1981). This approach argues when consumers travel, they are pushed by intangible forces and pulled by tangible forces. The push factors include socio-psychological motivations such as the desire for escape, relax, exploration, and social interaction, whereas the pull factors are those that emerge as a result of attracting travelers to a specific destination such as facilities, historic resources as well as traveler's perception and expectation. Several researchers have extensively attempted to examine traveler's motivation by adopting the push and pull force approach and employing both qualitative and quantitative methods (Bradford, Baloglu & Uysal, 1996; Crompton, 1979; Kim & Lee, 2002; Klenosky, 2002; Yuan & McDonald, 1990). Bradford, Baloglu, and Uysal (1996), for example, described push and pull factors as forces of motivation that pushed individuals into making decisions and pulled the same individuals to a specific destination area, and through travel, tourists sought to satisfy many needs at the same time.

Uysal and Jurowski (1994) indicate that push factors are internal and may include escape rest, relaxation, prestige, health, fitness, and social interaction. Pull factors include tangible resources of the destinations such as beaches, facilities, cultural attractions, and benefit expectations. Based on the Push/Pull Theory, this case study divides motivation in two dimensions: internal factors (i.e., members' desire, escape, exploration) and external factors (i.e., clubs' characteristics and features – culture, amenities, environment). This differentiation fits into a country club environment where members decide to join a club first through internal push decisions, and then decide based on the specific attributes of the specific country club.

Membership is vital in operating the club business. Therefore, there is a critical need for RCC to evaluate the member joining motivation by including all of the various factors in a holistic view. In the absence of such an evaluation, the club will fail to recognize the significant factors of joining motivations of club members, distort the values of membership, and lack information needed to effectively recruit members. This will eventually result in lost opportunities to sustain and enhance the club.

Dilemma/Questions of Case Study

The purpose of the case study is to understand member's motivation in order to attract new members. Additionally, the case will be used to understand the importance of membership in a private country club. The major questions in the case study are:

- How turnover influences membership recruitment in the private country club business?
    - What challenges does losing the real estate office present in the club's membership sales process?
    - What challenges does the re-sale market create for the membership sales process?
- What are the roles of members in the private country club business before and after turnover?
- What factors are important to members joining a private country club?
- What is the difference between internal and external motivation?
- Who are the key players in the membership sales process?
- How do the other members and staff fit into the membership process?
- What are the marketing strategies for the recruitment of members?
    - What approach can a club employ in order to understand members' motivation in joining a club?
    - What recruiting strategies may be used as a result of the survey information?

Glossary

- ***Attrition rate***—Some members leave a club each year, including but not limited to family issues, job transfers, health issues, or financial issues. When a member wants to leave, a new member must be found to replace the resigned member. The list to get out of the club is called the exit list, and clubs strive to have a waiting list of potential members to come into the club. If the club has a waiting entry list, then a resigned member may be replaced immediately. If a club is growing its membership or does not have an entrance waiting list to come into the club, a resigned member must wait for a refund of its initiation fee or joining fee on a 2 for 1 sales basis (or 3 for 1, 4 for 1, etc.) depending on the set up of the club. The club must sell 2 memberships for one resigned member to be paid out. The total number of resignations divided by the total number of members equals the attrition rate. For example, if a club had 6 resignations in a year and was left with 100 members, the club would have a yearly attrition of 6 percent. This number is significant because the club would need to sell 6 new memberships to get to the desired number of members.
- ***Build Out***—A real estate term used to define a residential community that has sold all of the initial lots or real estate. In a country club community, build out signifies the time the country club is turned over to the equity members from the developer of the community. Developers use the country club as an amenity to sell real estate.
- ***Equity Membership***—Memberships are sold in a private country club, and are the primary business of the club. Equity membership infers ownership by the member. The members usually get back a certain percentage of the joining fee when they are replaced by a new member after resignation, although the trend in private clubs is towards non-refundability of membership joining fees (McGladrey, 2014).
- ***Golf membership***—Usually the highest cost and dues structure required for the members. The golf memberships usually have full access rights to all of the amenities.
- ***Initial Membership***—A membership that grows the club by one new member as compared to a replacement member. An initial membership is sold from the unsold inventory of memberships as the club reaches its membership cap or total number of memberships allowed under the documents of the club.
- ***Joining Fee***—A joining fee is required to join a private country club. The joining fees vary from zero to several hundred thousands of dollars. The joining fees are utilized to build the infrastructure of the club. In an equity club, a joining fee may be required to pay out a resigned member on the exit wait lists.
- ***Membership satisfaction***—Country clubs are in the business of membership satisfaction and not profit. The business model of clubs is to satisfy members and to receive yearly dues income that subsidizes member satisfaction.
- ***Sport/social membership***—A secondary membership at country clubs that have access rights to all amenities in the club except for golf in peak season. Social memberships have a smaller joining fee than the golf membership, and pay approximately 50% of the dues. Social memberships are viewed as supporting the country club with incremental income to cover fixed costs.
- Turnover—Turnover occurs in a residential real estate development with a private club when the developer has completed the initial sales of residential lots and homes, called the build-out. Communities are bound by a set of legal documents

called the bylaws which define the turnover process. In many communities, turnover occurs when 90% of the residential units have been sold. The resulting turnover impacts the country club as the members assume the control of the country club business unit from the developer including the responsibility of membership sales. Many times clubs are not prepared to operate the business of the country club because turnover has not been planned.