

Impact of Economic Downturns on Private Club Membership Levels

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Abstract

This study compares the membership levels of private clubs at the peak of two different periods of economic decline in the United States, in the years of 2003 and 2010. The severity of each economic decline was analyzed by determining if the impact of one period was more severe on club membership levels than the other. Specifically, this study measured the impact of each economic downturn by comparing club membership levels by total number, attrition rates, and waiting lists. Several analyses were conducted on club waiting lists including frequency of existence and relative strength, measured by number of candidates for membership and their average wait time prior to possible enrollment. Comparisons include data obtained via results of two different online surveys conducted over time with the same 1,000 clubs. Results showed the economic downturn in 2010 had a more severe impact on club membership levels than the one in 2003.

Keywords: Economy, private clubs, membership, waiting lists

1. Introduction

Private clubs create a unique niche market within the hospitality industry. Most of the upscale services private clubs offer to its membership can be purchased in the public sector. Yet members often join private clubs not only for the tangible benefits but also for several intangible factors such as tradition, exclusivity, and the opportunity to build relationships with people who have similar interests and lifestyles. There are many expenses associated with a private club membership, such as initiation fees, dues, and purchases or usage-related fees.

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Club purchases and usage-related fees often drive the member's monthly bill to be two to three times its fixed monthly dues amount (Ferreira, 2002). Like most aspects in the luxury marketplace, club expenses are generally paid from the member's personal discretionary income (Pannell Kerr Forster [PKF], 2011). Periods of sustained economic decline in the United States affect most citizens, including those who belong to private clubs. It is during such economic downturns that private clubs generally lose members who, like others, elect to scale back spending. Additionally, consumers tend to become more cautious about their spending during periods of decline, especially with personal discretionary dollars (Coyne, 2007).

From an operational perspective, the level of a club's membership is crucial to its ongoing success. Often, membership is referred to as a club's "lifeline" or the "lifeblood of a club" (Fornaro, 2003, p. 10). Membership is also the legal basis upon which private clubs exist; clubs cannot open their doors and sell their services and amenities to the public. Consequently, private clubs must maintain a certain number of members as they and their guests are the only ones with whom that club can typically conduct business. More importantly, members provide dues revenue which contributes substantially toward paying for the day to day operational expenses of the club: "One of every three dollars of revenue at a city club and nearly one of every two dollars at a country club is generated by dues...there simply aren't many options for increasing revenue or for controlling costs that can approximate the value of a dues paying member" (Vain, 2007, p. 3). For a club to remain fiscally sound and vibrant in its community, the club must continuously attract new members, at least at its rate of attrition, as well as excel at its core mission of providing superior facilities and services to its membership.

2. Statement of the Problem

The goal of this study was to compare the degree of impact the private club industry experienced on membership levels during two separate periods of economic downturn in the U.S. Specifically, the study explored the changes clubs experienced with the number of members, waiting lists, and attrition rates between the two economic downturns in years 2003 and 2010.

3. Literature Review

3.1 Private Clubs

Most private clubs in the United States are well established businesses managed by professional leadership. In 2009, the annual income of U.S. private clubs averaged \$6 million in operating revenues (Club Managers Association of America [CMAA], 2009). A private club is “a place where people with a common bond of some type—similar interests, experiences, backgrounds, professions, and so on—can congregate for social and recreational purposes. By definition, a private club is a place that is not open to the public; an individual must be accepted by the rest of the membership before he or she may join” (Perdue, 2007, p. 3).

There are many different types of private clubs. The larger sectors within the club industry include: country, golf, city, athletic, and yacht clubs. There are also several other smaller and unique sectors that generally appeal to a specific interest area of their members (e.g., tennis, university, or hunt clubs). This study classified any club with a golf course as being a country/golf club and clubs without a golf course as a city/athletic club. The Club Managers Association of America (CMAA) is a professional association whose core membership is made up of professional club managers actively working in the industry. CMAA states that 80% of its membership represents either a country or golf club, and 11% of their members manage city clubs (CMAA, 2011). This industry profile, or breakdown by club type, has remained consistent over time, since CMAA first began to track it in 1992 (CMAA, 2007a).

To meet the needs of its membership more successfully, many city clubs have expanded by adding fitness facilities and/or spas to their operations and likewise expanded the services available. Recognizing that some members may elect to exercise on their lunch breaks or after work, city clubs are increasingly pairing their services with many and varying types of athletics. Data from CMAA shows 41% of city clubs have fitness facilities, and spa services are available at 16% of city clubs overall (CMAA, 2007a). In research studies involving the private club industry, it is becoming customary to group city clubs and athletic clubs together into one category.

Historically, the products and services offered by private clubs were aimed toward meeting the needs of adults, versus families, and the primary target market was male adults, due to clubs' heavy emphasis on golf. Early in the 20th century, the best golf courses nationwide could only be found at private clubs. During the late 1980s, high end public daily fee courses started to open and have since significantly broadened the golf course marketplace (PKF, 2011; National Club Association [NCA], 2010). Licata and Tiger (2010) concluded that there were two segments of golfers. One of the segments was willing to pay a premium to have better access to a golf course and/or play a faster round of golf. A private golf or country club with its limited membership size appeals to this segment.

Similar changes have also been occurring in the food and beverage marketplace; today, a plethora of restaurants now exist in most areas. Consumers seeking high quality food and beverages in conjunction with outstanding service have more options from which to choose than just private clubs (CMAA, 2009; McMahon, 2001). Comparable to other industry segments within hospitality and tourism, clubs must be constantly attuned to their memberships (i.e., their customers) to maintain relevance and, ultimately, a successful business: "It is more important than ever that a private club offer an experience that separates it from the many competitive options available to today's members and prospective members" (Vain, 2008, p. 3).

3.2 Club Membership

Private clubs will continue to evolve as the needs, demands, and desires of its customer-base, the members, also change. In today's society, there are several lifestyle trends potentially affecting membership in private clubs as a whole. Such trends include the increased time constraints on most individuals, women continuing to enter the workforce, wide-spread increased consumer interest in health and wellness, and the growing desire of individuals to become engaged in local communities, one aspect of which is buying locally-sourced food items (PKF, 2011; NCA, 2010; McMahon, 2009). The increasing interest in getting involved and supporting one's local community is partially grounded in people's innate desire to connect with others, it is partially grounded in the "green movement", as well as grounded in the consumer's higher degree of trust in all things local, including food sources (McMahon, 2009).

Progressive private clubs are well positioned, and many have responded successfully, adapting products, services, amenities, and facilities to compliment several of these emerging societal trends. By offering a wide array of creative programming and by including all age groups and recreational/social interests, a club can appeal to each person within the member's household.

The number of clubs across the globe has increased over several time periods recently. This increase in the number of clubs has been a burden for all clubs regarding both membership attraction and retention (Barrows & Ridout, 2010). The average number of members per club fluctuates, as shown in the survey results from CMAA and NCA, two private club professional associations in the United States. Club membership data is most often categorized by club type or membership category. For this study, the review of historical averages per year considers all club types and includes all membership categories, basically examining membership levels of the club as a whole. In 2009, the average number of members per club was 727, down from 2008's average of 774 members. The 2008 average was only a slight decline from 2007, which averaged 792 members per club as that economic downturn started late in 2007. Upward swings in the economy also influenced membership. The highest average of the decade occurred in 2004 with membership levels averaging 847 members per club. The second most impressive record high was achieved in 2000, following a multi-year economic upturn, producing an average of 828 members per club (CMAA, 2008a; NCA, 2004; CMAA, 2003; CMAA, 2000; NCA, 2000).

During the years of 2003 to 2007, the United States economy enjoyed an upturn and steady growth. Club membership data shows CMAA club managers represented 2.14 million club members nationwide in 2007, an almost 18% increase in club membership numbers over 2003 (CMAA, 2007b). However, membership levels, after only one year of that economic downturn, had decreased substantially. In 2008, CMAA club managers represented only 1.8 million members nationwide (CMAA, 2008b).

3.3 Waiting Lists

Waiting lists represent financial security for a club's future. Waiting lists are literally lists of names of candidates for membership who are awaiting the opportunity to join the club.

Often, individuals on the waiting list have completed some part of the membership process, and then they wait for an opening and for their application to move forward in the membership process (Lieber, 2003). When attrition occurs at a club with a waiting list, the membership process is activated, ultimately allowing enough candidates on the list to become members to fill the opening(s). This process allows for the least amount of interruption to occur in dues revenue as well as other usage-based income streams such as food and beverage.

The percentage of private clubs reporting a waiting list during economic upturns from 1980-2000 never exceeded the mid 30% range and never dipped below the mid-20% range during economic downturns in the same period (Ferreira, 1997b; Ferreira, 2003). In 2000, at the pinnacle of a multi-year economic upturn, 36% of private clubs reported having a wait list (Ferreira, 2003). During the 2000-2003 economic downturn, the number of private clubs with wait lists decreased overall (Clemenz, 2005). However, little to no change in wait list size or strength was reported among the premier clubs, those with waiting lists in all membership categories, indicating these clubs were not impacted as severely by the economic downturn. Ferreira (2003) reported that the percentage of total clubs that had a waiting list in all of their membership categories remained fairly constant at 11% in 2000 and 10% in 2003. Gradually, over the 2000-2010 decade, research has shown a slow but steady decline in the number of clubs that have waiting lists, and those clubs with waiting lists often have fewer member candidates on these lists, and the candidates are typically waiting a shorter period of time for membership enrollment (CMAA, 2008a; CMAA, 2007a; Coyne, 2007; Clemenz, Kim, & Weaver, 2006).

Natural attrition occurs in any membership based organization. Leaders of such organizations must stay keenly attuned to fluctuations in membership levels. Any business could ultimately suffer if attrition significantly outpaced the rate of incoming new members. Finan (2007) reported, "annual membership attrition in the club industry ranges between five and 10 percent, and the majority is due to such uncontrollable factors as relocation, health problems, and death" (p. 2). Ferreira in 1998 reported that a club's membership level and attrition rate were impacted by the club's location. That study indicated the demographic makeup (e.g., household income level, property values, etc.) of the zip codes around the club had an impact on a club's membership level.

With competing demands for a member's or prospective member's time and money, private clubs may continue to face membership challenges in the future: "The amount of funds available for entertainment continues to shrink and the competition for this smaller pot continues to increase. Prospective and even existing members debate as to whether they should spend the funds to join or to remain a member at a club" (PKF, 2011, p.3).

3.4 Economic Downturns

During the past decade, there are indications of two significant economic downturns in the U.S. economy, between 2000-2003 and 2007-2010. There have been numerous research studies on the impact of these two periods on different industries and hospitality sectors such as the lodging and restaurant areas (PKF, 2011; NCA, 2009; Reilly, 2009; Taylor & Enz, 2002; Wheaton & Rossoff, 1998; Byrne, 1997; Coopers & Lybrand, 1995). There has been limited research conducted in the private club industry related to the impacts of those economic events on both clubs and their membership levels.

Economic conditions are always changing, and major swings can affect the spending habits of most, especially concerning non-mandatory items that are considered to be a lifestyle reward, such as a club membership. The Gross Domestic Product (GDP) is one of the most common measures of the U. S. economy; additionally, it "is one of the most comprehensive and closely watched economic statistics" (McCulla & Smith, 2007, p. 1).

Numerous factors are measured and calculated to generate the GDP, which "measures the market value of final goods and services produced by labor and property in the United States" (Swann, 2008, p. 2). McCulla and Smith (2007) further explain that the largest portion of the GDP represents the consumption of goods and services by individuals, which is primarily paid for from the individual's personal income. Druce, Frewin & Gunn (2003) used the phrase "toughest the industry has experienced" (p. 6) in describing the impact on the hospitality industry from the economic downturn that began at the end of 2000 and continued well into 2003 (PKF, 2001). The recorded annual GDP's during these years, 2001 to 2003, were 0.8%, 1.6%, and 2.5% respectively (Historical, 2008).

In December 2007, the 2007-2010 economic recession was officially declared by the National Bureau of Economic Research (Woodworth, 2009). Signs of the economy slowing down were noted earlier than this date in both the hotel and travel industries (PKF, 2009; Woodworth, 2009). In their economic summary of the past decade, Auerbach and Gale (2009) stated the U.S. economic situation in 2000 was very positive, especially in comparison to 2009. They summarized, "...at the beginning of the decade, the U.S. fiscal picture was bright," while in 2009, "the budget outlook at every horizon is troubling" (p. 101). Speculation about the economy continues today.

Enz, Kosova, and Lomanno (2011) examined the impacts of both the economic downturn associated with the terrorism attack in 2001 and the recent financial meltdown in 2008-2010 on the U.S. hotel industry. They found vacillations in both occupancy and ADR during both economic periods: "Although the industry was noticeably affected by the 2008 financial crisis, the impact of the 2001 attacks were both more negative and immediate in terms of drops in occupancy, ADR and RevPAR. The isolated effects of the terrorist attacks were greatest immediately after the event, while the impact on hotel performance from the 2008 financial crisis worsened over time, with the most negative impact coming two months after the fall of Lehman Brothers" (Enz, Kosova, & Lomanno, 2011, p. 4).

There has been speculation over which properties were impacted more by each of the economic downturns. Some researchers proposed that higher-end properties were more susceptible in both the 2001 terrorism shock and the 2007-2010 financial crises than other hotels' property-levels in the U.S. lodging sector. Enz et al. (2011) found that, following the 2001 terrorist attacks, hotels classified as midscale that served food and beverages were more negatively affected than those limited-service midscale properties. In contrast, the results of the most recent 2007-2010 financial crisis found quite the opposite. Midscale hotels that serve food and beverage were less affected during the financial troubles of 2007-2010 than limited-service midscale properties.

In recent years, club management has begun to place increased attention on membership retention and development because of the increase in competition for members and member dollars (Knutson, 2002). Knutson (2002) also indicated that different markets exist within clubs and that different satisfaction levels existed based on the perceptions of the club by those specific inner markets.

Ferreira in 1997 indicated that a members' identification with a club was directly related to: their satisfaction level with the private club, their length of membership, and their frequency of club usage. Therefore, clubs where the membership identification levels were high resulted in higher perceived prestige and satisfaction levels by the membership which resulted in higher membership retention

The concept of protecting the exclusivity factor of a club has given way in many instances to the basic business need that new member intake, at a minimum, must keep pace with a club's attrition. The downturns in economy, though challenging, have provided an impetus for management to seek member and prospective member feedback, and wherever possible, to provide the services, facilities, and amenities those members desire.

4. Hypotheses

This study examined membership levels of the same private clubs during two different periods of economic decline. The severity of each economic decline was analyzed to determine if one period was more severe than the other. The impact of each economic downturn in the economy will be tested by the following hypotheses:

H₁: All clubs will have fewer members in 2010 compared with 2003.

H₂: Country/golf clubs will have fewer members in 2010 compared with 2003.

H₃: City/athletic clubs will have fewer members in 2010 compared with 2003.

H₄: Fewer clubs will have a waiting list for at least one membership category in 2010 compared with 2003.

H₅: Fewer country/golf clubs will have a waiting list for at least one membership category in 2010 compared with 2003.

H₆: Fewer city/athletic clubs will have a waiting list for at least one membership category in 2010 compared with 2003.

H₇: Fewer country/golf clubs will have a waiting list in all of their membership categories in 2010 compared with 2003.

H₈: All clubs that do have a waiting list will have fewer candidates for membership on their clubs' lists in 2010 compared with 2003.

H₉: Nominees accepted for membership at all clubs that have a waiting list were on the waiting list for a shorter period of time in 2010 compared with 2003.

H₁₀: Country/golf clubs that do not have a waiting list will need more candidates for membership to achieve a waiting list in 2010 compared with 2003.

H₁₁: City/athletic clubs that do not have a waiting list will need more candidates for membership to achieve a waiting list in 2010 compared with 2003.

H₁₂: The attrition rate at country/golf clubs will be higher in 2010 compared with 2003.

H₁₃: The attrition rate at city/athletic clubs will be higher in 2010 compared with 2003.

5. Methodology

The purpose of this study was to measure the change in private club membership numbers during two economic downturns. This study investigated the number of members, waiting lists, and attrition rates in August of 2003 and August 2010 at the same private clubs.

The survey was initially developed in 2005 and was tested by six general managers in the Georgia Chapter of CMAA. These managers were asked to complete the survey and to provide feedback on its clarity, number of questions, and substance. After receiving feedback on the original survey, changes were made. An online version of the survey was developed. The original six managers and an additional six general managers from the same CMAA chapter were asked to review the survey and to provide constructive feedback. The twelve managers were from a variety of clubs: country clubs, golf clubs, city-athletic clubs, and city clubs. A few modifications were made based on the feedback from the managers.

The same questions on the online survey administered in 2005, about the club's membership levels in 2003, were used in the 2010 survey. A letter was sent via e-mail to the club managers of the same 1,000 private clubs, representative of CMAA, who were sent a letter in the earlier study conducted by Ferreira and Gustafson (2006). The letter asked each club manager to participate in the online survey and provided directions on how to access the survey and the overall process.

Actual answers, numerical values, and mean scores for both 2003 and 2010 were compared among the clubs. T-test statistics were used to determine if there were any statistically significant similarities or differences between the two time periods.

6. Results

Four-hundred and ninety nine (499) responses were received from clubs in 2010 that had also answered the survey regarding membership levels in 2003. An overall response rate of 50% was achieved; managers at the same 1,000 clubs were sent the survey both years. This response rate was very similar to that achieved (501 or 50%) in the study by Ferreira and Gustafson in 2006. Club managers who completed the survey represented an assortment of club types: country clubs, golf clubs, yacht clubs, city-athletic clubs, and city clubs. Most (73%) of the respondents were from country/golf clubs. Most of the clubs (94%) were member-owned clubs; therefore, 6% were investor-owned clubs. Responses were received from different areas of the country, 31% from the northeast, 30% from the southeast, 23% from the west, and 16% from the central portion of the country. An analysis was completed to determine if the club's geographical location had an impact on the variables. The analysis showed no differences on any of the variables based on location.

Table 1: Number of Members

	N	2003	2010	P
Number of Members at All Clubs	499	806	741	.001*
Number of Members at Country/Golf Clubs	363	729	673	.001*
Number of Members at City/Athletic Clubs	134	1,014	957	.001*

Note: * = Significant at the 0.01 level T-test

As shown in Table 1, all clubs had fewer numbers in memberships in 2010 compared to 2003. The average difference in number of memberships at all clubs was 65 memberships or 8% fewer in 2010 than in 2003. There were 56 fewer members (7.6%) at country/golf clubs in 2010 compared to 2003. City/athletic clubs experienced a similar loss with 57 fewer members in 2010 or 5.6% decline.

These differences in membership levels were statistically significant, which supported H₁ through H₃.

Table 2: Private Clubs with a Waiting List

Number With a Waiting List and Percent	N	2003	2010	<i>P</i>
All Clubs With a Waiting List to Join	499	135 27%	53 11%	.001*
Country/Golf Clubs With a Waiting List to Join	363	115 32%	47 13%	.001*
City/Athletic Clubs With a Waiting List to Join	134	20 15%	8 6%	.001*
Country/Golf Clubs With a Waiting List for All Categories	363	37 10%	16 4%	.001*

Note: * = Significant at the 0.01 level Chi-square test

As indicated in Table 2, the number of clubs reporting they had a waiting list for at least one membership category (usually the “Voting” or “Full” category, the category of membership where members have complete club usage privileges, the ability to vote, and the privilege to be a club officer) was significantly lower in 2010 compared to 2003. This finding supported H₄. The number of country/golf clubs reporting a waiting list was smaller in 2010 (13%) compared to 2003 (32%). This was a significant difference as indicated in Table 2, which supported H₅. The percentage of city/athletic clubs reporting a waiting list for membership in 2010 (6%) was much smaller than in 2003 (15%); therefore, H₆ was also supported.

Country/golf clubs usually have a variety of membership categories (e.g., full, social, junior, non-resident, senior, etc.). Therefore, one of the variables measured was if country/golf clubs had a waiting list for all of its categories of membership and not just its most sought-after “full” category. The number of country/golf clubs reporting that all of their membership categories were full was significantly lower in 2010 (4%) compared to 2003 (10%), which supported H₇.

Table 3: Candidates on a Waiting List to Join a Country/Golf Club

Number of Candidates and Number of Months	N 2003/2010	2003	2010	<i>P</i>
Average Number of Candidates on the Waiting List	115/47	46	49	.604
Average Number of Months for a Candidate to be on the Waiting List	115/47	11	14	.278

As indicated earlier, there were fewer country/golf clubs with a waiting list for memberships in 2010. As shown in Table 3, the small number of country/golf clubs fortunate enough to have a waiting list reported having slightly more candidates for membership on their waiting lists in 2010 (49) than clubs did in 2003 (46). These country/golf clubs also reported a slightly longer period of time for candidates to be waiting for admission into the club. The average number of months that a candidate for membership had to wait in 2010 was 14 months, while the number of months in 2003 was 11 months. While there were small differences, the differences were not significant and did not support H_8 and H_9 .

Table 4: Number of Members Needed to Reach a Waiting List at Clubs Without a Waitlist

Number of Members	N 2003/2010	2003	2010	<i>P</i>
Average Number of Members Needed to Reach a Waiting List Country/Golf Club	248/316	43	109	.001*
Average Number of Members Needed to Reach a Waiting List City/Athletic	114/126	168	202	.001*

Note: * = Significant at the 0.01 level T-test

As indicated in Table 4, clubs that did not have a waiting list for membership reported a larger number of openings available at their clubs in 2010 versus in 2003. Country/golf clubs that did not have membership waiting lists reported 109 membership openings in 2010, more than two and one-half times the number of openings in 2003 (43).

City/athletic clubs also reported more membership openings in 2010 (202) than the number of openings in 2003 (168). Club managers within the city/athletic club category reported a significantly larger number of openings for membership in 2010 (202) compared to the club managers representing the country/golf club category (109). This trend of more openings in city clubs versus country clubs is consistent with attrition trends during previous economic downturns (Ferreira, 2003). These differences in openings or the number of members needed to reach a waiting list were statistically significant as indicated in Table 4, which supported H₁₀ and H₁₁.

Table 5: Membership Attrition Rate

Average Attrition and Percent	N	2003	2010	P
Annual Number of Members Lost Country/Golf	363	34 4.6%	97 13.1%	.001*
Annual Number of Members Lost City/Athletic	134	176 17.5%	224 23.4%	.001*

Note: * = Significant at the 0.01 level T-test

As shown in Table 5, the membership attrition rate was higher for city/athletic clubs compared to country/golf clubs in both years. Once again, overall attrition rates tend to be much higher at city/athletic clubs due to being so closely tied to one's business versus family or lifestyle. At country/golf clubs, the attrition rate was higher in 2010(13.1%) compared to 2003(4.6%), which supported H₁₂. In city/athletic clubs, the attrition rate was also higher in 2010 (23.4%) compared to 2003 (17.5%), which supported H₁₃.

7. Discussion

The decrease in the overall number of members in 2010 compared to 2003 found in this study was similar to the results reported by the two private club professional associations in the United States, CMAA (CMAA, 2008a; CMAA, 2007a; CMAA, 2003) and National Club Association (NCA, 2004; NCA, 2010). Both of these associations conduct periodic surveys of its members who manage private clubs seeking an assortment of financial and operational data, including membership levels.

Based on the severity of the 2008 to 2010 economic downturn, it was expected there would be fewer members at clubs, a smaller number of clubs with a waiting list, and other indicators of declining membership levels. Decisions to join or to maintain a clubmembership are economically driven and usually predicated on a candidate's or member's disposable income level. Therefore, during economic downturns, there are fewer members with the wealth required to be a member at the club. The more severe the downturn, the more clubs are impacted because of decline in disposable income (Ferreira, 1997b).

During economic downturns, especially the severe 2008-2010 downturn, both country/golf and city/athletic clubs had fewer members, fewer clubs with a waitlist, more members needed to reach a waitlist, and a higher attrition rate. The negative impact on these variables was much larger for city/athletic clubs than country/golf clubs. This usually is attributed to members joining city/athletic clubs primarily for business purposes. When individuals join a club primarily for business and not for personal or social reasons, they will usually resign or not join a club when businesses are cutting entertainment expenses or when disposable income declines (Lieber, 2003).

While the percentage of clubs having a waitlist in 2010 was at a record low, it was interesting to see there was little difference in the number of candidates on the waitlist as well as the number of months a candidate waited on the list for both 2003 and 2010. The small number of clubs that were fortunate enough to have a waitlist in 2010 had about the same number of candidates as they had in 2003, and their attrition rate was similar, resulting in the same average number of months for a membership candidate to wait.

An explanation for the significantly higher attrition rate in 2010 among most clubs is that, during this economic period, in comparison to the earlier economic downturns, there were more job losses, more businesses closing, more businesses cutting management benefits (company paying for club membership), and individuals having less disposable income because of decreases in pay or no pay increases.

The economic downturn of 2008-2010 also impacted real estate values more forcefully than in earlier economic downturns.

Many private country/golf clubs are tied to a real estate community (real estate development built around a golf course and/or club). Members who live in a community may be the only individuals eligible to be members at that club, or home ownership in the development requires a club membership. The distressed real estate market and foreclosure occurrences from 2008 to 2010 have resulted in fewer members at clubs that are associated with real estate developments. Moreover, the devastated second home or retirement home market for wealthy individuals has negatively impacted membership levels at clubs in retirement and second home areas like Florida and Arizona.

When the economy is extremely weak and there is a significant decrease in the supply of individuals with high disposable income, clubs cannot afford to wait for members to nominate and recommend individuals for membership. Therefore, it is expected that clubs will incorporate more assertive membership marketing strategies because of the severity of this economic downturn and because many members are not nominating candidates (friend or associates) for membership. Moreover, clubs need to identify good candidates for membership because there are fewer candidates with the disposable income required for membership.

8. Limitation

A limitation in this study is there are a smaller number of research studies and publications in academic journals, in comparison to industry or trade magazines, as gathering data from private clubs is often difficult because of the nature of this hospitality sector and its desire for privacy and exclusivity. Both in this study and others conducted by the authors, excellent response rates are achieved if prior approval from the national professional club association, CMAA, is granted to the researchers to conduct the study.

Future research should explore if similar results and outcomes are found with profit clubs, semi-private clubs, and non-private clubs as with the private and exclusive clubs of CMAA in this study. The reason this is a limitation in this study is because most of the CMAA clubs are exclusive and mandate sponsorship for membership candidates by one or more current club members. Semi-private clubs and non-private clubs do not require sponsorship of applicants and can be very aggressive in membership recruitment practices.

With the advent that more clubs will be implementing membership recruitment strategies during economic downturns, imminent club studies should explore which marketing strategies are successful in growing the number of membership candidates and membership levels in clubs.

9. Conclusion

With fewer new members joining, and fewer members overall, clubs have less revenue. When new members join a private club, they provide often substantial initiation fee revenues, which can significantly strengthen a club's overall financial health and future. Initiation fees are generally used for capital projects such as facility renovations or upgrades. These capital improvements make the club's assets attractive to membership candidates and increase current member satisfaction. Decreases in initiation fee revenues may result in club assets not being maintained or improved.

In addition to initiation fees, all members pay dues, often on a monthly basis. Membership dues are paramount to a club's ability to cover operating expenses. Fewer members result in less dues revenue for clubs. Additionally, if there are fewer club members, it stands to reason that club sales revenues are also likely decreasing simply because there are fewer people using the club's different areas. Less club usage leads to lower revenues in the club outlets and areas: member dining, banquet events, usage or activity fees, golf or tennis lessons, golf shop or tennis pro shop sales, and other areas. A club is highly dependent on its membership for financial well-being, recalling that its services are only available to the club's members and their guests, a finite group of customers.

An implication in this study is that clubs need to be more assertive in membership marketing strategies because of the decline in the number of members being sponsored for membership during economic downturns. A decrease in membership recommendations results in a smaller number of individuals proposed for membership. When this is combined with an increase in the attrition rate among current members, the net result is fewer members at clubs. A decrease in membership levels negatively impacts different club's revenue streams (dues, initiation fees, guest fees, food and beverage, etc.).

Every business needs strong leadership, and this is especially true if a difficult business climate exists. Successful leaders formally or informally utilize environmental scanning methods to monitor changing business conditions continuously, such as the economy, consumer (buying) trends, community concerns or interests, state/regulatory issues, as well as mega trends which reflect changing behavior patterns in society. Well informed progressive leaders can direct their respective clubs in such a way that they anticipate changing conditions. Anticipating trends help clubs adapt products and services to allow them to stay current and to meet the needs of members and prospective members. Private clubs that successfully anticipate and meet the ever-changing needs of its members will remain attractive to current and prospective members. Healthy membership levels will allow a club to fare far better during any future periods of economic decline.

10. References

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