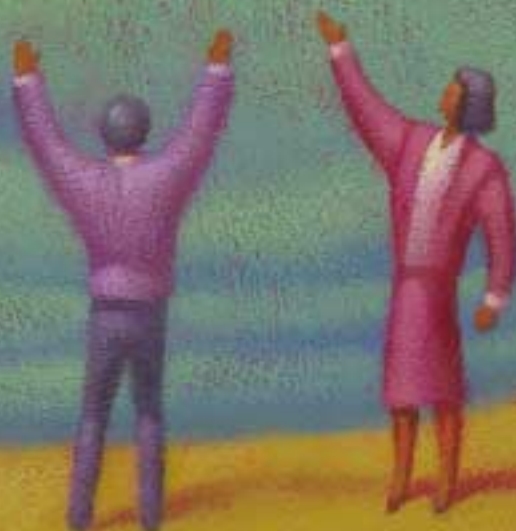


# NCA Economic *Impact* Survey:

*Club Revenues  
Unchanged While  
Expenses Rising*





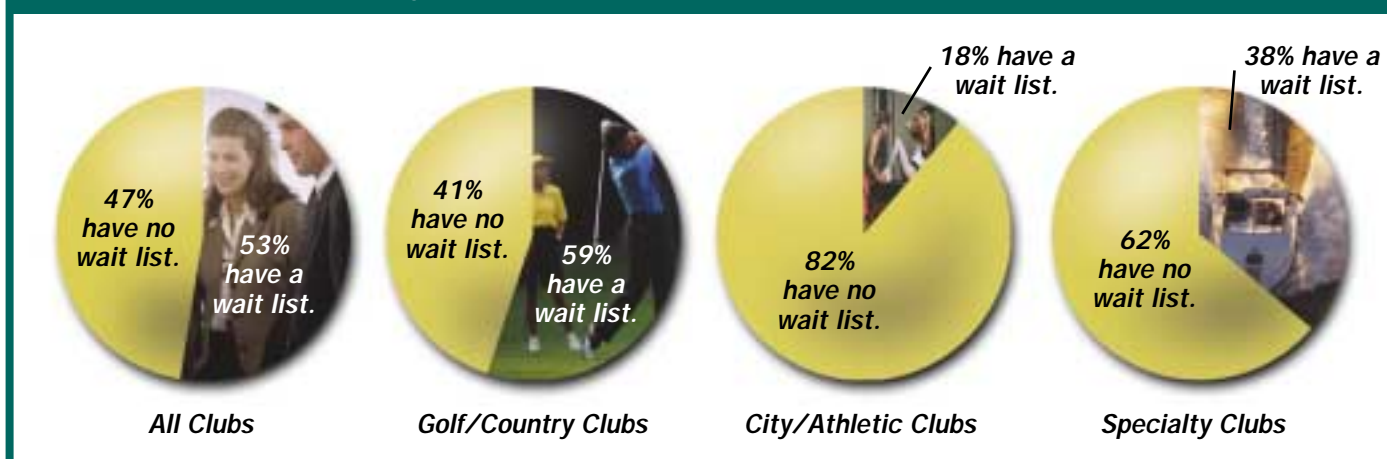
Last August, NCA surveyed 302 of its member managers to measure the effects of recent changes in the American economy. In addition to questions about the size of waiting lists and resignation rates, NCA asked specifically about changes in income and expenses related to dues, dining, sports and overnight rooms, payroll, maintenance and energy costs.

The survey's response rate was 50 percent. Eighty-four percent of respondents were

golf/country clubs; 11 percent were city/athletic clubs; and 5 percent were specialty clubs, primarily yacht, tennis and beach clubs.

It should be noted that the results of this survey are not reflective of the events of September 11. A number of clubs have suffered significant losses as a result of these tragedies. The following report should be viewed within the context of this larger picture; NCA will continue to measure any longer-term impact over the coming months.

#### Percent of Clubs with a Waiting List



#### General Findings

As of September 1, 2001, results showed that for the majority of respondents, the economy had begun to have some effect on operations, but for the most part, numbers of candidates on waiting lists were unchanged and resignation rates were holding steady. Most revenue generators such as dues, initiation fees, dining, sports and overnight rooms showed either no change or slight increases.

Likewise, most expenses showed either small increases or no change for the majority of respondents. Not surprisingly, some of the sharpest increases were seen in energy costs; almost one-third of responding clubs reported increases of 20 percent or more.

Overall, slightly more than half of all respondents had waiting lists for membership. By club type, golf/country clubs were the most likely to report having a waiting list (59 percent). In contrast, only 18 percent of city/athletic clubs reported having a waiting list; 38 percent of specialty clubs had one.

About two-thirds of respondents reported that resignation rates were unchanged. Among golf/country clubs, 61 percent reported no change. Seventy percent of city/athletic clubs and 75 percent of specialty clubs reported no change. Overall, about one-quarter of all respondents reported an increase in resignations.

#### Changes in Income

**Dues and Dining.** Respondents of all club types were most likely to report increases in revenue from membership dues and a la carte dining. Three-quarters of golf/country clubs reported increases of 1–10 percent in income from dues relative to the year before. Two-thirds of city/athletic clubs and 57 percent of specialty clubs saw similar increases in dues income.

One-third of golf/country and city/athletic clubs experienced revenue increases of 1–10 percent from a la carte dining; an additional one-third of these clubs reported no change in revenue. Half of specialty clubs reported similar increases, while 37 percent reported no change in income (see chart, p.12).

By region, 62 percent of clubs in the south reported increases in income from a la carte dining, compared to about one-third of respondents in each of the other regions. Similarly, clubs in the south were least likely to report dining losses (12 percent); in contrast, nearly 40 percent of clubs in the northeast reported losses from a la carte dining.

**Initiation Fees.** The range of responses regarding initiation fee income was wider. For example, while 39 percent of golf/country club respondents reported no change in annual income from initiation fees, the range of responses from the remaining golf/country clubs varied from as

much as a 20 percent increase in annual income (15 percent of golf/country clubs) to a 20 percent loss (12 percent of golf/country clubs).

Among city/athletic clubs, 27 percent reported no change in initiation fee income; 13 percent reported increases of 16–20 percent and 20 percent of city/athletic respondents reported losses of 20 percent or more. In contrast, 43 percent of specialty clubs reported no change in initiation fee income, while nearly a third reported increases of 20 percent or more.

**Banquets and Catering.** For golf/country clubs, income from banquets and catering showed a pattern similar to that of initiation fees. While one-quarter reported no change in annual banquet income, an additional 22 percent reported increases of 1–10 percent. Similarly, 25 percent reported losses of 1–10 percent.

City/athletic clubs were more likely to report increases in banquet and catering income. Slightly more than half reported increases of 1–10 percent. Nineteen percent reported losses of 1–10 percent (see chart, p.12).

Clubs in the northeast were most likely to report increases in banquet revenue, with 48 percent showing increased income, followed by the south and west at 38 and 37 percent, respectively. Almost two-thirds of clubs in the north central region reported losses in banquet and catering revenue. In addition, clubs with

## Percent Change in a la carte Dining Revenue

	Total	Golf/ Country	City/ Athletic	Specialty
<b>+1-5%</b>	23%	22%	25%	25%
<b>+6-10%</b>	12%	12%	6%	25%
<b>+11-15%</b>	2%	1%	13%	--
<b>+16-20%</b>	2%	2%	--	13%
<b>&gt;20%</b>	2%	1%	6%	--
<b>No Change</b>	31%	33%	13%	37%
<b>-1-5%</b>	17%	18%	25%	--
<b>-6-10%</b>	7%	7%	6%	--
<b>-11-15%</b>	2%	2%	6%	--
<b>-16-20%</b>	1%	1%	--	--
<b>-&gt;20%</b>	1%	1%	--	--

## Percent Change in Banquet &amp; Catering Revenue

	Total	Golf/ Country	City/ Athletic
<b>+1-5%</b>	16%	12%	38%
<b>+6-10%</b>	10%	10%	13%
<b>+11-15%</b>	8%	8%	13%
<b>+16-20%</b>	3%	3%	6%
<b>&gt;20%</b>	1%	1%	--
<b>No change</b>	22%	24%	6%
<b>-1-5%</b>	12%	12%	6%
<b>-6-10%</b>	13%	13%	13%
<b>-11-15%</b>	7%	7%	6%
<b>-16-20%</b>	3%	4%	--
<b>&gt;20%</b>	4%	5%	--

*Due to the effect of rounding, totals do not always add to 100%*

350-499 members were more likely to report a loss in banquet and catering, with slightly more than half reporting losses.

**Minimums and Service Charges.** Overall, 69 percent of clubs reported no change in minimum and service charge income. Interestingly, as many city/athletic clubs reported increases of 1-10 percent as reported no change (46 percent). Nearly three-quarters of golf/country and about two-thirds of specialty clubs reported no change in income.

**Overnight Rooms.** Income from overnight rooms showed similar patterns. Seventy percent of golf/country clubs reported no change in income, while half of city/athletic clubs reported increases in income; 42 percent reported a 1-5 percent increase.

## Golf Operations

Slightly more than half of golf/country clubs reported no change in annual income from golf outings; 19 percent reported some increase in income, while 27 percent reported some level of loss. Income from green fees and golf car rentals was more evenly divided. About one-third reported some increase in income, one-third no change, and one-third some degree of loss.

Small differences were noted by membership size. For example, about 40 percent of clubs with 750 or more members reported losses from green fees. Similarly, about 40 percent of clubs with fewer than 500 members reported losses from car rentals.

In contrast, about two-thirds of golf/country clubs reported increases in expenses related to golf operations, almost half in the 1-10 percent range. About one-quarter reported no change.

**Regional Differences.** Some differences were noted by region. For example, 46 percent of clubs in the northeast reported increased income from green fees, vs. only 18 percent in the north central region. One-third of clubs in the west reported increases in green fee income, and 23 percent of southern clubs reported an increase.

Income from golf car fees also varied by region. Clubs in the west were most likely to report either increased income or no change. While about one-quarter of clubs in the northeast and north central region reported increased income from golf car rentals, half of north central clubs lost golf car income (vs. one-third of clubs in the northeast).

## Salaries, Wages and Benefits

The majority of respondents reported increases in salaries, wages, payroll taxes, and benefits relative to the year before. About two-thirds reported increases of 1-5 percent in

salaries and wages; about 40 percent reported similar increases in payroll taxes and benefits. Approximately one-quarter reported increases of 6–10 percent (see chart, p.14).

Among city/athletic clubs, costs were higher.

About half reported wage increases in the 1–5 percent range, and another 38 percent reported increases of 6–10 percent. Thirty-seven percent reported increases in payroll taxes and benefits of 1–5 percent, while one-third re-

ported costs in the 6–10 percent range. Nineteen percent reported tax and benefit increases of 11–15 percent.

Specialty clubs reported salary increases similar to all respondents and to golf/country clubs—two-thirds reported salary increases of 1–5 percent, and one-quarter reported increases of 6–10 percent. Half of all specialty clubs reported increases in payroll taxes and benefits of 1–5 percent, while one-quarter reported increases of 11–15 percent.

Even though the majority of clubs reported increases in salaries and wages, some regional differences were apparent. For example, 97 percent of clubs in the south and all of the clubs in the west reported increases in this area, vs. 90 percent and 93 percent, respectively, for clubs in the north central and northeastern regions. Payroll taxes and benefits showed a similar pattern, with 93 percent of clubs in the west reporting increases, vs. 85 percent of southern and northeastern clubs. Seventy-three percent of north central clubs reported similar increases.

#### Percent Change in Golf Income

	Outings	Green Fees	Car Rental
<b>+1-5%</b>	5%	12%	15%
<b>+6-10%</b>	7%	7%	9%
<b>+11-15%</b>	3%	5%	4%
<b>+16-20%</b>	3%	2%	1%
<b>&gt;20%</b>	1%	6%	3%
<b>No change</b>	54%	36%	36%
<b>-1-5%</b>	3%	11%	12%
<b>-6-10%</b>	8%	11%	11%
<b>-11-15%</b>	2%	6%	5%
<b>-16-20%</b>	8%	2%	2%
<b>&gt;20%</b>	6%	3%	1%

*Due to the effect of rounding, totals do not always add to 100%*

#### Percent Change in Salaries and Wages

	Total	Golf/ Country	City/ Athletic	Specialty
<b>+1-5%</b>	62%	63%	56%	63%
<b>+6-10%</b>	25%	23%	38%	25%
<b>+11-15%</b>	5%	4%	6%	12%
<b>+16-20%</b>	2%	2%	--	--
<b>&gt;20%</b>	2%	2%	--	--
<b>No Change</b>	3%	4%	--	--
<b>-1-5%</b>	1%	1%	--	--
<b>-6-10%</b>	1%	1%	--	--

*Due to the effect of rounding, totals do not always add to 100%*

#### Changes in Clubhouse Expenses

**Food and Beverage.** Overall, food and beverage costs were either unchanged or slightly higher than the year before. While about one-third of all respondents reported no change in the cost of food and beverage, 43 percent reported small increases in the 1–5 percent range. Ten percent reported a drop in costs in the 1–10 percent range (see chart, p.14).

Among golf/country clubs, 56 percent reported increases of 1–10 percent; three percent reported increases of 16 percent or more. City/athletic and specialty clubs reported increases mostly in the 1–5 percent range. Seven percent of city/athletic clubs reported cost increases of 20 percent or more.

When viewed by membership size, however, there were significant differences in food

#### Food Cost Increases by Membership Size

Number of Members	Percent Increase
<b>Less Than 350</b>	1-10%
<b>350-499</b>	1-10%
<b>500-749</b>	1-20%
<b>750 or more</b>	1-20%



and beverage costs. For example, 75 percent of clubs with fewer than 350 members reported increases of 1–10 percent. Sixty-nine percent of clubs with 350 to 499 members reported similar increases. Fifty-five percent of clubs with 750 or more members and 48 percent of clubs

with 500–749 members reported increases that ranged from 1–20 percent.

**Overnight Rooms.** Three-quarters of golf/country clubs reported no change in expenses related to overnight rooms. Twenty percent reported increases ranging from 1–20 per-

cent. City/athletic showed greater increases—27 percent reported an increase of 1–5 five percent, while another 27 percent showed increases of 16 percent or more. Interestingly, 18 percent of city/athletic clubs reported a small drop in overnight room expenses of 1–5 percent.

**Repairs and Maintenance.** A majority of clubs reported increases in expenses for repairs and maintenance. Golf/country clubs reported increases predominately in the 1- to 10-percent range; however, 15 percent also reported increases of 11 percent or more. Twenty-eight percent of these clubs reported no change.

Results for city/athletic clubs were mixed. While 45 percent of these respondents reported increases in maintenance and repair costs of 1–15 percent, and 8 percent reported increases of 20 percent or more, 39 percent reported savings in this area. One-third reported savings of 6–10 percent, while 8 percent reported savings of 11–15 percent on maintenance and repairs.

### Energy Costs Rise

Most clubs reported significant increases in energy costs. On average, 28 percent reported increases of 20 percent or more. One-quarter also reported increases between 10 and 20 percent. An additional third reported increases of 1–10 percent (see chart, p.15).

**Club Type.** By club type, 40 percent of golf/country clubs reported increased energy costs of more than 16 percent. More than two-thirds of all city/athletic clubs reported such a sharp increase.

Specialty clubs, perhaps because of a seasonal component of their operations, were not as sharply affected. Seventeen percent of these clubs reported no change in energy costs, and one-third reported modest increases of 1–5 percent. Approximately one-third did experience increases between 11 and 20 percent.

**Regional Differences.** As expected, significant regional differences were apparent. Ninety-six percent of western clubs and 93 percent of north central clubs reported increases in energy costs, vs. 80 percent of clubs in the northeast and 88 percent of clubs in the south. Among those reporting cost increases of 20 percent or more, the north central and western regions again appeared to be hardest hit; 45 percent of north central clubs and 39 percent of western clubs reported the largest increases.

### Differences by Total Gross Revenue

Generally, clubs with smaller gross revenue figures tended to experience fewer losses in revenue, but had significantly higher increas-

### Percent Change in Payroll Taxes and Benefits

	Total	Golf/ Country	City/ Athletic	Specialty
<b>+1-5%</b>	40%	39%	37%	50%
<b>+6-10%</b>	26%	26%	31%	13%
<b>+11-15%</b>	11%	8%	19%	25%
<b>+16-20%</b>	6%	7%	--	--
<b>&gt;20%</b>	2%	3%	--	--
<b>No Change</b>	13%	15%	--	13%
<b>-1-5%</b>	--	--	--	--
<b>-6-10%</b>	1%	--	13%	--
<b>-11-15%</b>	1%	1%	--	--

*Due to the effect of rounding, totals do not always add to 100%*

### Percent Change in Cost of Food and Beverage

	Total	Golf/ Country	City/ Athletic	Specialty
<b>+1-5%</b>	43%	41%	53%	57%
<b>+6-10%</b>	12%	15%	--	--
<b>+11-15%</b>	--	--	--	--
<b>+16-20%</b>	1%	1%	--	--
<b>&gt;20%</b>	2%	2%	7%	--
<b>No Change</b>	32%	31%	33%	43%
<b>-1-5%</b>	8%	9%	--	--
<b>-6-10%</b>	2%	2%	7%	--

*Due to the effect of rounding, totals do not always add to 100%*

es in expenses. For example, 13 percent of clubs with less than \$2 million in annual revenues reported losses from initiation fees, vs. 38 percent of clubs in the \$2–2.9 million range and 23 percent of clubs with \$4 million or more in annual revenue. Twenty-one percent of clubs with \$3–3.9 million in annual revenue reported such losses.

Losses from dining operations followed a similar pattern. About one-third of the largest clubs suffered losses from a la carte dining, vs. only 10 percent of those with less than \$2 million in annual revenue. One-quarter of clubs with annual revenue in the \$2–2.9 million range and 21 percent of those in the \$3–3.9 million range suffered losses.

Income from banquets and catering was an exception. Almost half of clubs in the \$3–3.9 million range reported losses, along with about one-third of the smallest clubs. Forty percent of the largest clubs and 17 percent of those with revenues of \$2–2.9 million suffered losses.

Larger clubs were also less likely to report increases in food and beverage costs; half of those with \$4 million or more in annual revenue reported such increases. In contrast, all the respondents with less than \$2 million in revenue reported increases in food and beverage costs. Seventy-five percent of those with \$2–2.9 mil-

lion and 65 percent of those with \$3–3.9 million in annual gross revenue reported increases.

Approximately half of the larger clubs (those with \$3 million or more in gross revenue) reported increases in maintenance and repair expenses. Ninety percent of respondents in the \$2–2.9 million range reported increases in this area, along with 75 percent of the smallest clubs.

While the majority of clubs reported increases in energy costs, about 90 percent of those with \$2 million or more in gross revenue reported increases, while 75 percent of the smallest clubs reported increases. The smallest clubs also reported the smallest increases—generally 10 percent or less. In contrast, 6 percent of clubs with \$4 million or more in gross revenue reduced their energy costs by 1–20 percent.

### Conclusions

While the majority of clubs appeared to be minimally affected by changes in the economy through August 31, several trends are worth noting. While most clubs report either small or no changes in revenue, the majority also report increases in expenses, particularly those related to employment, food and beverage, and energy (some of the largest expense categories for a club). The greatest increase is found in the cost of energy.

Respondents were asked what measures

they would like NCA to take to lessen any impact from an economic slowdown. Most wanted NCA to increase its lobbying efforts for cost controls on energy and health care, and for more favorable tax deductions on entertainment expenses. Many wanted more market data and economic trends forecasts.

NCA's lobbyists continue to pursue measures on Capitol Hill such as the economic stimulus package currently being debated by the White House and Congress. Two provisions are of particular interest to clubs: restoration of the business meals deduction and a minimum wage hike, which NCA opposes. (For details of these proposals, see p.22.)

Should the economy continue to falter, as seems more likely since the terrorist attacks on September 11, changes in revenue have the potential to become more pronounced. At the same time, operational costs are not expected to drop. This situation could place more economic pressure on clubs as they enter the busy holiday season.

To assist clubs during these difficult times, NCA staff will continue to track economic trends within the club industry and report them to our members in future issues of *Club Director* magazine.

### Percent Change in Energy Costs

	Total	Golf/ Country	City/ Athletic	Specialty
<b>+1-5%</b>	17%	17%	6%	33%
<b>+6-10%</b>	18%	20%	13%	--
<b>+11-15%</b>	9%	9%	6%	17%
<b>+16-20%</b>	16%	15%	19%	17%
<b>&gt;20%</b>	28%	25%	50%	17%
<b>No Change</b>	7%	7%	--	17%
<b>-1-5%</b>	1%	1%	--	--
<b>-6-10%</b>	2%	2%	6%	--
<b>-11-15%</b>	1%	2%	--	--
<b>-16-20%</b>	1%	1%	--	--

*Due to the effect of rounding, totals do not always add to 100%*

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