Case Study

Building Value or Cutting Costs

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NEW ZEALAND golf

Introduction

Clubs share a common business model, but when it comes to more qualitative aspects like culture, each individual club is truly unique. At the highest level, a club's culture is defined by factors such as history, mission, traditions, member demographics, location and the mix of amenities enjoyed by its members.

Below the surface, there is another very important but less obvious factor at work that influences the member experience on a daily basis and ultimately shapes the club's future; the operational mind-set. Are the club's board, management and members focused on value creation or are they operating in a mode of cost control?

Which Mode is Your Club In?

In a culture of value creation, club leaders seek to continually add to the benefits of being a member. The focus is on things like innovative programming that considers every member type, diverse offerings within the club's physical environment that go beyond the basics, a careful balance of exciting new events and longstanding traditions. In a culture of value creation, the emphasis is on growing and evolving the member experience.

Cost control mode is exactly what it sounds like. Instead of seeking opportunities to enhance the member experience and boost revenue through increased subscription revenue and activity, leaders search for an ever diminishing lowest common denominator where members are just satisfied enough. They're literally attempting to cut their way to health. Over time, a culture of cost control leads to chronic dissatisfaction among existing members, an inability to attract new members and expanding financial stress.

In a strong economy and fertile member market, maintaining a culture of value creation comes more naturally for most clubs. But what happens when the environment weakens? In challenging times, clubs without a clear understanding of their own business model and financial drivers are vulnerable to making poor decisions that cause them to shift away from value creation into cost cutting mode.

Benchmarking for Success

Benchmarking is an effective way to assess the health of the business, determine areas where the club is underperforming and identify tell-tale trends that a club's culture is focused on either value creation or on cost cutting.

The Golf Managers Association of New Zealand (GMANZ) in conjunction with Golf Management of Australia (GMA) and with the support of New Zealand Golf recently launched a benchmarking tool specifically targeted at the golf club industry in New Zealand. This business intelligence will allow

golf club managers to elevate fact over opinion when it comes to value creation or cost cutting and ensure that managers and boards are properly equipped to focus on the strategic direction of their club.

The benchmarking tool will enable clubs to assess their financial and operational performance over a period of time and gives clubs the ability to compare with other golf clubs in New Zealand according to key metrics, such as revenue, subscription revenue, fee structures, operational costs and more. Comparisons can be made more focused by using industry filters, such as golf club type, golf club size, rounds played and location.

Conclusion

For many golf clubs the shift from cost cutting to building value for their members is a challenge when revenue is stagnant or trending downwards. In order to make informed decisions for the future direction of the club and develop a strategic, fact-based approach to budgeting, club leaders need to form an accurate picture of the club's financial health. Benchmarking gives clubs clear, actionable data so they can understand what is working well and in what areas the club has opportunities for improvement. With access to reliable financial data, club managers and boards can stay focused on the issues that matter.

For more information on value creation and benchmarking, you can contact the Community Golf team at NZ Golf on 09 485 3230.

Thank you to Russell Conde (Club Benchmarking COO) for granting permission to use content from the Club Benchmarking Resource.