



**CLUB  
MANAGERS  
ASSOCIATION  
OF AMERICA**

**PCS > PCS Blog > Market Analysis: Understanding and Responding to Your Club's Market**

## MARKET ANALYSIS: UNDERSTANDING AND RESPONDING TO YOUR CLUB'S MARKET



Too often, private clubs operate in vacuums. Even those that demonstrate the vision and foresight to develop long-term plans often do so while focusing only on their members, their facilities and those existing problems they can correct/address. Truth is, while all these pro-active planning efforts are important, they must be undertaken alongside consideration of what other clubs are doing in a particular market.

No matter what business we're in, no matter how successful we might be, the principle of substitution ensures that the purchasers of any product or service (members, in this case) will typically consider other options. Accordingly, it's incumbent upon club leaders to understand and be sensitive to what other clubs are doing in their market.

At its most fundamental level, a market analysis is the measurement of four things:

1. Utility – *Can I use it?*
2. Desire – *Do I really want it?*
3. Effective Buying Power – *Can I afford it or am I willing to pay for it?*
4. Scarcity – *How many are there?*

Market analyses allow clubs (even the most prestigious clubs) to understand their particular markets, how they evolve and how clubs must evolve with them. They allow clubs to better understand their own individual strengths and weaknesses — and how to establish their own niches in a market.

All clubs are not alike, and thank heaven for that. As a result, supply/demand analyses simply don't address the myriad differences between competing private clubs — and yet, all we read about is the idea that *there are too many clubs!* I've seen clubs fail that shouldn't have, and everyone points to over-supply. I'm here to tell you this: these clubs could have been preserved, and could have thrived, had they simply looked forward and thought about how to best compete — not only with other clubs, but with daily-fee golf courses and alternative activities in their

markets.

I recently attended a seminar where a representative of ClubCorp discussed the concept of reinventing their clubs. He suggested that while "older members will go for new, younger members will not go for old." He also indicated that his top-performing clubs were those where ClubCorp had reinvested and broadened the offering of activities and programs.

Certainly, there is no formula where "one size fits all." However, I can confidently say this: those clubs that fail to evolve and improve are also at greater risk for economic failure. It's nearly impossible to strategically reinvest, evolve and improve without a thorough understanding of your competitors.

That's why market analysis so vital.

So, how does it work?

Fair Share Analysis	
Market Households	150,000
% >\$250,000 annual income	2%
Clubbable Households	3,000
# of Private Clubs	6
Total # of Members	1,450
Members Per Club	242
Members at Subject Club	210
Market Penetration	87%
Subject Fair Share Members	242

A thorough market review should entail actual visits to all these competing clubs — because we need a true, thorough understanding of two things: 1) if the club being evaluated is getting its *fair share* of the market, and 2) whether that club's performance is both competitive and consistent with its market position and facilities.

Determining a club's fair share and market penetration can be done with a simple analysis similar to the one shown below. This provides a first look at whether the club is getting its fair share of members. If the market penetration is less than 100 percent, there's work to do. If it's more than 100 percent, it's good to know why — and how to maintain that competitive advantage.

This is NOT a simple mathematical analysis, however, because not every club has the same activities and facilities, or the same ideal number of members. Only by researching and matching all the clubs in a market — in relevant areas such as golf facilities, food and beverage, family amenities, business amenities, location, facilities, existing membership levels, potential membership levels and infrastructure — can the analysis provide clubs the context they need to maximize their own performance in these areas.

The analysis must also consider levels of use and activity (current and desired), the age of the membership, and the historical sensitivity of that membership to paying for access/exclusivity, i.e. the idea of paying higher dues for fewer members.

A great deal of legwork goes into it, but an accurate fair-share assessment gives everyone a realistic picture of what optimum operational performance looks like — at your club and your competing clubs. Going forward, it allows expectation to merge with reality.

The evolution of any club can and will happen on its own, but it can be shaped. This is a crucial element that many clubs miss — because they haven't conducted a proper market analysis.

Many club leaders and club members have been there a long time. They love the club as is; its traditions have become part of their lives. But ignoring the outside world and resisting appropriate change can kill a club before they

know what happened. More often it is a slow, painful death — too many clubs endure this because they've ignored the market and failed to respond/reinvest strategically.

Think of market analysis from the consumer's point of view. When potential members are deciding if and where to join, what other clubs are they considering? What are the strengths and weaknesses of these competing clubs? How are they priced? In some market pools, these choices can include daily fee, resort and even municipal courses.

Understanding your club's market, knowing where to focus reinvestment dollars, can be invaluable in revitalizing a struggling club, or even in perpetuating a thriving club well into the future. It's not JUST a game of supply and demand, but also a game of market understanding and positioning.

*Laurence A. Hirsh, CRE, MAI, SGA, FRICS is the president of Golf Property Analysts, a leading golf and club property consulting, appraisal and brokerage firm based in Philadelphia. He has performed consulting and appraisal assignments on more than 2,500 golf & club properties in 45 US states, Canada and the Caribbean, and has published articles in The Appraisal Journal, Real Estate Issues, co-authored The Urban Land Institute's Residential Golf Community Development and authored many articles for a variety of golf industry publications. Hirsh has also lectured at seminars, meetings and universities and is on the education faculty for the PGA of America. A founder and first president of the Society of Golf Appraisers (SGA), Hirsh has also developed a golf course and brokered more than \$100 million in golf course & club properties. He is a graduate of Penn State University. He is married (Judy) and the father of 3. Hirsh is also a licensed commercial pilot, certified flight instructor and an active competitive golfer.*



Copyright © 2008-2015. All rights reserved. Republication or re-dissemination of the contents of this site are expressly prohibited without the written consent of Club Managers Association of America. ClubNet and Premier Club Services are registered trademarks of Club Managers Association of America. All other trademarks and registered trademarks are the property of their respective owners. Please see our Legal Notice and Disclaimers and Computer Use Policy.