

# CLUB DIRECTOR

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# Years

#AlwaysTrending

Engaging Millennials  
Satellite Facilities  
Member Bankruptcy

## Q What is total cost of ownership and how is it calculated?

**A** When comparing product options to purchase, it is important to consider the item's total cost of ownership (TCO). TCO takes into account the upfront cost of an asset plus the operational cost for the duration that you own that product. Financially, the item with the lower TCO will be the better value in the long run, but one must take into account several factors.

As you plan your purchases, evaluate the TCO by considering these five key criteria:

- 1. Brand.** Well-trusted, name brand items will most likely last the longest and be made with the highest quality materials.
- 2. Durability.** Smallwares products should be able to withstand commercial washing and handling without getting damaged.
- 3. Warranty.** Best in class warranties exist from 90 days to lifetime replacement. Evaluate the brand and manufacturer, but again, invest in higher quality products.
- 4. Quality.** Invest in the most appropriate quality tier that meets the product's purpose. Stay clear of cheap products to "get by."
- 5. Customer Expectations.** Setting a table in a high-end restaurant with less than 18/10 flatware or an ensemble of mix and match brands may be perceived unfavorably to members or guests who are paying a premium for an exceptional meal.

Products that use energy, like lighting and kitchen equipment also illustrate the importance of calculating TCO. Replacing halogen bulbs with LED bulbs may cost more up front, but can reduce energy usage over time, often giving LEDs a lower TCO. The same can be said for kitchen equipment as new models can pay for themselves in as little as two years.

Ultimately, you want products that will do the intended job and maintain their longevity with proper care. Investing in the best quality products upfront should help extend the life of your assets and prevent the need for frequent and costly replacements. It is worth the time and money to properly evaluate your capital investment upfront to successfully reduce your TCO.



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## Q How can I prevent expense reimbursement fraud at my club?

**A** Expense reimbursement is just one of many areas in a club environment where fraud can occur. Although no system is foolproof, sufficient controls can be put into place to minimize the opportunities to commit expense reimbursement fraud. The cornerstone of any system of internal controls is segregation of duties—an effective structuring of checks and balances. Fewer people in the accounting office may weaken controls because fewer tasks can be done by different people. Conversely, more bodies in the accounting offices allows for a greater degree of segregation of duties. For clubs that can't dedicate the financial resources to accomplish this, adequate controls can still be established. The following are some of the basic procedures that a club should implement:

**Expense Reimbursement Policy** – The club should have a detailed written expense reimbursement policy that both employees and board members can fully understand.

**Expense Reimbursement Report** – The club should have a proforma expense reimbursement report that all employees should be required to sign and complete when seeking reimbursement.

**Business Purpose** – The business purpose of each reimbursed expenditure should be documented. It should include: who, what, when, where and why.

**Receipts** – Original receipts should be attached to the expense report. Photocopies of originals should not be accepted.

**Approval** – Expense reports should be signed and dated by an individual above the level of the person seeking reimbursement. The general manager's expense report should be approved by an officer—typically either the treasurer or president.

**Payment** – Once the expense reimbursement report has been approved and processed for payment, the check with the report and supporting documentation attached should be presented to the check signer for signature. The GM's reimbursement check and report should be presented to the appropriate officer for signature. Depending on the club's check signing policies, the appropriate officer may sign or co-sign the expense reimbursement checks for other employees.

**Cancel All Information** – Expense reimbursement reports and all supporting documentation should be properly canceled in some manner, such as with a "Paid" stamp upon payment, to avoid them being submitted for payment more than once.



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**Q** What are some of the fundamentals of high functioning service cultures?

**A** Exceptional service experiences are personal, anticipatory and emotional. When one experiences extraordinary service, it stirs a series of emotions—gratification, satisfaction and excitement and hopefully brings a smile to one’s face. In the best service environments, the team that delivers this high level of service will in fact experience those same emotions when delivering these experiences.

Elite clubs understand these concepts, and articulate them in their daily delivery of exceptional service. The finest service environments not only have a pervasive desire to serve imbedded in their culture, but on a transactional level each and every employee has a desire to please members and guests. High functioning service cultures accomplish this in the following ways:

- Management and staff are empowered to ensure that the experience is excellent cross functionally. Every organization is departmentalized, yet the desire and expectation to please the guest goes beyond the golf shop for the professional or the dining room for the chef—everyone on the team takes ownership for the entire experience.
- There is a huge commitment to training—from the top down.
- The best service environments teach that guests have varied needs and provide subtle touches that feel as if they were done especially for each guest.
- The more standards are defined and adhered to, the more precise the service process can become, which also helps compensate for those staff members who may not be able to anticipate every need on their own.
- Preparation is critical in order for the staff to have the tools at their disposal and guidelines in place to enable them to deliver a flawless experience. There should be multiple lists with defined standards in all departments detailing times, frequencies, accountabilities of basic service procedures and how to accomplish each one.

With specific, defined standards that are comprehensive, precise and informed, along with rigorous training, communication and evaluation, management can hold staff accountable for delivering service held to the club’s standard of excellence.



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**Q** When I talk to my board about a fitness facility, someone points out that there are plenty of fitness centers near the club, some that you can join for \$10 a month. Is fitness a fad for private clubs or is it here to stay?

**A** I was recently reading a newly published club book and found it interesting that a founding principle for the club was identified as follows: “It is proposed to establish on the land a playground where health may be developed ... and the social side of life cultivated”—*Oak Leaves*, Sept. 19, 1914. While we tend to view fitness as a new element for clubs, health has always been a central construct in their existence.

The challenge and opportunity for clubs is that members want them to be a contributor to a healthy lifestyle, but people today have higher expectations for what fitness means. One of the eye-opening findings in the 2013 landmark NCA study *Navigating the Future: The Outlook for Private Clubs* was that our expert panel placed fitness and wellness as the most important activity for the club of the future. That’s right, 94 percent of the expert panel of leading executives, consultants and association leaders placed health and fitness activities ahead of children’s activities, dining and golf. This is where we are headed.

A fitness facility is often cited as one of the offerings required at a club if it wants to attract new young members. However, the most frequent users of fitness centers in clubs are Baby Boomers and seniors—many of which find large commercial gyms intimidating. Club fitness is a different size and scale, and much more comfortable. It competes for their use in the same manner that club dining attracts members despite a wealth of nearby dining options. It is an extension of their home setting.

Fitness centers that charge only \$10 a month are probably not full of your members. The peer comparative is more likely a high-end provider that charges \$100 per month. If a member can drop that gym membership because they have a facility at their club, they’ve just seen a big boost in value. Fitness users are also regular participants, so they are at the club more frequently, giving them opportunities to use other aspects of the club or simply enjoying the benefits of leading a healthy life and associating it with their club membership.

Finally, managers and members all report that the most surprising benefit of a fitness center at their club is increased socialization. Members that may not be in the same social or golf circle find themselves interacting with a new set of members. The private club is and always will be about connecting with others. A fitness facility does this as well as anything a club could offer.



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