

Club Director

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NATIONAL CLUB ASSOCIATION

Inside
the Club
Kitchen

Budget Follows Strategy, Not Vice Versa!



BOB JAMES

In fall 2022, we addressed whether a 20% dues increase was justified amid rising operating costs. The economic pressures of the COVID-19 era left clubs underfunded, with dues and user fees falling short of covering true operating and capital demands. For years, clubs benchmarked dues increases against CPI inflation—averaging just under 2%—while the actual cost to operate a luxury club rose by 4–5% annually.

From 2014 to 2021, dues increased roughly 3%, even as membership declined; deferred maintenance, delayed capital improvements and underfunded labor costs masked defi-

cits. In 2022, clubs faced financial reckoning, and then cumulative inflation from 2021 to 2024 hit 19.8%, and only bold dues increases could stabilize future budgets.

Two strategic missteps underline flawed benchmarking:

- ◆ CPI reflects consumer household costs, not the elevated business expenses or premium standards clubs, or any luxury hotel or resort to maintain.
- ◆ Comparing dues to industry averages reinforces mediocrity and stifles innovation.

Clubs must define their identity and strategic priorities *before* building the budget. Dues should reflect the actual cost of delivering an exceptional member experience, whatever is exceptional for that membership—not just CPI or peer comparisons.

The steps in creating a strategic plan are not as complicated or time-consuming as one who has not already created a club plan may expect. Creating a strategic plan is like building a roadmap to navigate economic volatility, preserve and grow membership, and manage rising costs over the next 36 months. Times are much too volatile to project much beyond three years. It aligns your mission, goals, and resources so you can move forward with clarity and purpose.

Here's a structured breakdown of the first key steps, along with specific details about the state of the club industry and what clubs are considering. Dan will complete the remaining steps on his second page of this two-part article:

Situation Analysis

1. Economic environment

Inflation eased to 2.3% in 2024 but remains unpredictable given shifting interest-rate policies and lingering supply-chain constraints. Elevated borrowing costs and tighter consumer budgets heighten sensitivity to discretionary spending such as club dues.

2. Industry trends

- ▶ Average annual increase in total membership cost (dues, assessments, F&B minimums) was 3.81% from 2020 to 2024, below the 4.87% average national inflation for the same period.

- ▶ Initiation fees grew ~18% per year on average over the last three years, slightly over 50% higher than 2021 as clubs sought capital for renovations and to “catch up” on pre-COVID pricing freezes.
- ▶ Membership roles have reached full or high levels for most countries, golf, yacht and beach clubs, and city clubs are just starting to come back to pre-COVID levels.
- ▶ Although membership levels have been at historic highs for a majority of clubs, some experts see a slight decline in membership roles in 2025.

3. Budget has been driving strategy instead of the reverse.

- ▶ Clubs have traditionally relied on zero-based, historical or blended forecasting methods for operating and capital budgets—an approach that can unintentionally constrain innovation and progress. When budgets dictate vision, rather than vision guiding budgets, a club's potential is limited to what the numbers allow, rather than what the member experience demands. Clubs have deferred maintenance and limited labor cost increases to help balance their budgets, which has had a considerable cumulative effect over the last decade.
- ▶ Clubs have been using the wrong indices to benchmark and support what they believe the membership will accept as appropriate dues increases. Most clubs compare dues increases to increases in the CPI, the household cost of living, versus businesses' costs to operate. There are better statistics available from club and hospitality industry groups that more accurately reflect the increase in capital and operating costs. They are a better measure.
- ▶ Club costs are relative to the luxury standard that their culture demands. The higher costs for luxury products must be factored into the comparison of your costs over general industry standards, such as the cost per hole to maintain a top-tier golf course, or culinary team labor costs to offer a fine-dining restaurant experience, etc.
- ▶ With memberships at or near complete for the last few years, initiation fees have slowed and clubs have had to augment capital needs with operating profits, capital dues increases and member assessments.
- ▶ The best clubs have performed reserve studies to more clearly understand their current and future capital needs.

See Bob James on page 64 →

Strategy is Critical to Club Budgeting



DAN DENEHY

I agree with Bob that methods for club budgeting, whether historical, zero-based, or some variation of the two, have justifiably come under heavy scrutiny these past few years with the volatile impact of the economy, labor shortages, compensation appreciation, and changing demographics and psychographics. The velocity of change has made these old methods outdated. The bigger budget issue today is: What is your strategic plan for the short and long term for the club? If you expect and want more of the same, working off prior budgets and industry benchmarks may be just fine for forecasting future dues, operating costs, and capital expenditures, but that is not where the club industry is heading. Clubs have started to regard the balance sheet for a better fundamental understanding of their club's present and future health, and the strategic plan for what they want to be, what has to change, and what obstacles and opportunities they foresee. On the opposite page of this combined article,

Bob spoke of where the economics of private clubs have been over the last 10 years and why there is a need to catch up on operating income and income for maintaining the club's property, as is. He laid out the first few elements of a strategic plan for clubs, starting with Situational Analysis, SWOT analysis, and Strategic Goals. I'd like to now touch upon five additional elements of the strategic plan, continuing to put meat on the bones for: Strategies and Initiatives, Financial Projections, Implementation Road Map, Monitoring & KPI's, and Contingency & Scenario planning..

Strategies & Initiatives

1. Membership Retention

- ▶ Launch a member value program offering tiered rewards (e.g., discounted guest fees, priority tee times).
- ▶ Introduce a "hardship relief" policy for short-term dues deferral to support members during personal economic strain. Not appropriate or required for many clubs.
- ▶ Curate exclusive social and wellness events to reinforce internal community bonds.

2. New Member Acquisition

- ▶ Deploy targeted digital campaigns emphasizing family-friendly and wellness amenities.
- ▶ Offer referral incentives (e.g., one-time dues credit for both referrer and referee).
- ▶ Host complimentary trial days for qualified prospects.

3. Dues & Fees Management

- ▶ Cap annual dues increases at N%, factoring industry average cost growth of 3.81%.
- ▶ Implement tiered membership classes (full, mid-level, social) to broaden appeal across income brackets but don't go wild with this.
- ▶ Schedule biennial market reviews to benchmark dues against peer clubs.

4. Cost Control & Efficiency

- ▶ Anticipate labor cost growth of ~5+% per year due to competitive wage pressures in hospitality and country-club staffing.
- ▶ Forecast utilities and maintenance inflation at ~3% annually, consistent with general operating-cost trends, but know what they are in your market.

- ▶ Invest in energy-efficient systems (LED lighting, smart irrigation) to offset utility inflation.
- ▶ Review supplier contracts biennially to secure volume discounts.

Financial Projections

Fiscal Year	Dues Revenue (+ 3.5%/yr)	Labor Expense (+ 4.0%/yr)	Other Opex (+ 3.0%/yr)
2026	\$10,000,000	\$5,000,000	\$3,000,000
2027	\$10,350,000	\$5,200,000	\$3,090,000
2028	\$10,712,250	\$5,408,000	\$3,182,700
CapEx Requirements	• Reserve Study annual replacement costs. • Funding depreciation • Aspirational Capital		

Implementation Roadmap

1. Q1 2026: Finalize member value program design; engage vendor for energy audits.
2. Q2 2026: Launch digital marketing pilot; conduct supplier contract reviews.
3. Q3 2026: Roll out tiered membership classes; begin infrastructure upgrades.
4. Ongoing: Track KPIs monthly; adjust tactics based on retention and acquisition metrics.

See Dan Denehy on page 65 →

← *Point/Counterpoint by Bob James continued from page 62*

SWOT Analysis

◆ Strengths

- ▶ Established reputation and exclusive amenities.
- ▶ Strong payroll base reflecting professional management.
- ▶ New members attract and sponsor their friends and associates.
- ▶ Legacies—an essential part of preserving the culture of the club with new members.
- ▶ A strong balance sheet with less than \$10K of debt per member.

◆ Weaknesses

- ▶ High fixed-cost structure sensitive to wage and utility inflation.
- ▶ Capacity limitations that restrict the potential growth of the membership
- ▶ Potential perception of dues increases outpacing member value.
- ▶ Challenges competing with other hospitality businesses for staff because of pay differentials and a lack of transportation.
- ▶ Competition with more updated clubs: a better social program, renovated clubhouse, pool complex, golf course irrigation and new pickleball courts.

◆ Opportunities

- ▶ To expand wellness and sustainability programming to differentiate our offerings
- ▶ To improve our technology-driven member personalization and engagement
- ▶ To present well-curated social events that bring generations together, increasing the value of their memberships to each group.
- ▶ To create more membership categories to create a more pay-for-use scenario by de-bundling privileges and access to certain groups, such as summer members, super seniors, dining or limited sports categories.
- ▶ To use reserve studies to clearly communicate the club's capital needs and support funding those needs through a depreciation line item on the budget or raising capital dues.
- ▶ To create or lease employee housing.
- ▶ To open opportunities for new members who are more active users of the club, sponsor more members than more tenured members, and will raise capital funds through their initiation fees.

◆ Threats

- ▶ Renewed economic downturn triggering higher membership attrition.
- ▶ Competitive clubs leveraging flexible membership tiers and pricing.
- ▶ Packed club membership roles; growth of revenues to offset increasing operating costs by more customers/members may not be an option, putting a strain on dues levels.
- ▶ Return-to-office, which may reduce the use and demand for club memberships.
- ▶ The socio-economic differences between generations challenge the services and amenities our club can afford to offer.
- ▶ Baby boomer memberships are declining at an increasing rate, which may increase the recent overall attrition rate.
- ▶ Too many new members threaten the culture of the club.

Strategic Goals

1. Achieve and maintain a 95% member retention rate annually through 2028.
2. Grow net new full member equivalent memberships by 5% per year.
3. Budget according to our strategic plan and be very transparent with the membership about the club's immediate and future goals and how they will affect club dues and capital contributions. Dues increases above 10% annually may be closely scrutinized by the membership.
4. Manage labor and operating cost growth to preserve operating margins.
5. Invest in technology to enhance our operating efficiencies, labor productivity, provide more immediate and thorough financial reporting and improve member communications and engagement. 

BOB JAMES, Vice President of DENEHY Club Thinking Partners, works closely with boards and owners to deliver exceptional executive search and consulting services for the private club industry. He can be reached at bob@denehyctp.com.

Monitoring & KPIs

1. Member retention rate.
2. Net new membership growth.
3. Dues increase vs. budget.
4. Labor and utility expense variance.
5. Member satisfaction scores.
6. Employee morale and satisfaction level.
7. Apply specific key metrics to determine who are high and low value members.

Contingency & Scenario Planning

1. Mild downturn: 5% membership attrition—deploy accelerated member engagement and limited one-time dues credit.
2. Severe downturn: 10% attrition—pause pending capital projects, implement temporary assessment relief, intensify recruitment drives.
So how easy is this? You can almost copy and paste this article

online to get started. In only several hours, a club board or strategic planning committee, working collaboratively with club management, can brainstorm the answers to these questions and readily determine where you want the club to be and what goals you will need to set to get you there.

Please leave it to management to determine the tactics. Some clubs use a professional facilitator, one who has experience in working with club boards, committees, and management to expedite the process. We can help keep discussions on track, help balance the discussions to keep everyone involved with their opinions being heard, and contribute the latest statistics and trends in our Industry.

As Bob Dylan sang 61 years ago, “The Times They Are a-Changin’,” but never so quickly and intensely as today, and your club cannot afford to maintain the status quo. 

DAN DENEHY, President of DENEHY Club Thinking Partners, leads the premier executive search and management consulting firm serving the private club industry. He can be reached at dan@denehyctp.com.