

When investing in fitness makes sense | Clubhouse of the Year

Golf Inc.™

JULY/AUGUST 2019



Royal Golf Marrakech, Morocco

Troon's new CEO,
Tim Schantz

A future so **BRIGHT**

Why Troon, ClubCorp
and other large
management companies
are bullish on the future
of golf as a business.



Investing in FITNESS

A quality fitness facility can pay off as a key amenity for attracting and retaining members.

BY REBECCA LARSEN

At John's Island Club near Vero Beach, Fla., the 14,000-square-foot fitness center is self-supporting. The club's personal training program, alone, generated \$770,000 in revenue during the past six months.

The club has had fitness facilities since it was founded: a spa, gym and reception area. But it needs more space to meet the current demand.

"Fitness has been growing for the past few years because of the influx of baby boomers," said Kevin Caldabaugh, director of fitness. "That generation wants better access to health. In addition, there has been a worldview shift toward improving fitness and wellness."

Despite the need, generating member support for building a new fitness center or expanding an existing facility can be a tough sell. Many members worry about taking on new debt or paying additional operating costs.

But while it's difficult to pinpoint the exact financial return, industry consultants say fitness and wellness facilities can pay off for private clubs.

Today's club members are looking for

ways to improve their health, and are willing to pay for help. They're also looking for variety in fitness offerings: everything from pools and spas to exercise classes. And they want access to the latest in equipment and machines.

"I'd say, unequivocally, fitness is good for a club's finances, even though the amount of money it makes is difficult to quantify," said Steve Graves, founder and president of Creative Golf Marketing and Management.

He said a fitness center is a key amenity, similar to a swimming pool.

"It's expensive to buy and care for, but many people will join a club because of the fabulous swimming pool, and many will join a club because there is a fitness center," he said.

In the current marketplace, fitness ranks behind only golf and dining as an amenity people expect a private club to offer.

Frank Vain, president of the McMahon Group, a consulting firm that specializes in private clubs, said some clubs run into opposition from members who argue there are already a lot of gyms in their town.

"But after they build that fitness center, they're really surprised about how much



use it gets," Vain said." Then, just a few years later, they decide that they actually have to expand that fitness center."

He said holding back on expanding fitness because there are a lot of fitness clubs in the community misses the point.

"There are a lot of bars and restaurants too, but clubs do well by differentiating themselves from those options," Vain said. "Members eat at their clubs because their friends are there, and dining at the club offers a personalized, comfortable, home-away-from-home setting. The same thing can be true about fitness."

Other consultants and club officials agree. After all, most members are interested in improving their health through

KEVIN CALDABAUGH
oversees fitness facilities at John's Island Club in Vero Beach, Fla., which generates a healthy revenue stream for the club.

exercise, and they enjoy working out in a setting that offers personal service and privacy. And it's more fun running on a treadmill or lifting weights with people you know, or going to yoga class with friends.

Another reason fitness offerings work financially is because the best person to get money from is someone who is already paying you money, Graves said. For example, when his wife goes to a fitness class, she often invites a friend to have lunch with her at the club after class.

Like many Florida clubs, John's Island is busiest in the winter and spring. But because more members are using the club year-round, Caldabaugh estimates that a larger fitness center may be needed in the next five years.

"We could really use more spa services," he said. "Right now, all we're doing is massage and facials."

Clint Cook, director of membership sales at Newport Beach Country Club in Newport Beach, Calif., said the club's new fitness and wellness center helps sell both golf and social memberships.

Since the facility was opened, the club has sold 385 social and fitness memberships, each carrying a \$15,000 initiation fee and monthly dues of \$460. But it's



PHOTO BY THOMAS WINTER



A NEW FITNESS AND WELLNESS CENTER

at Newport Beach Country Club has helped the California club sell more golf and social memberships.

also been a key factor in selling golf memberships, which have an initiation fee of \$100,000 and monthly dues of \$1,200.

“Under our old model, all the club had to sell was golf,” Cook said.

But times have changed.

“Other things are needed to draw members in a family-oriented community,” he said. “Young families can’t just have golf. If that’s all we offer, that would mean a wife is staying home with the kids while the husband is out golfing for four hours. Before the renovation, there was not much in the way of social components.”

Classes are key

So how can a fitness center generate direct financial benefit? Vain said one approach is to offer lots of classes.

In the past, clubs offered classes such as Pilates, yoga, water aerobics, ballet bar exercises, stretching, and spinning. These were usually more popular with women than with men. But exercise programs designed to help people with joint and back pain can often appeal to both men and women. Golf fitness classes draw men as well.

Some clubs produce revenue from their

fitness center by charging for classes. But one Florida club has taken a different approach, which has had a positive effect on the club’s bottom line.

Jesse Thorpe, chief operating officer of Hammock Dunes in Palm Coast, Fla., said that when the club expanded its fitness center, adding 6,000 square feet of gym and studio space, the cost of the classes was added to members’ monthly dues. That generated an additional \$30,000 a year in revenue.

Although the expansion met some resistance from members, the fact that there would be no individual charges for classes helped sell the project.

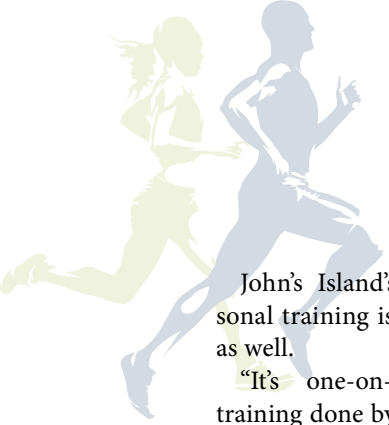
“Right now, that dues increase is generating a couple thousand a month,” Thorpe said. “Our classes are now fully subscribed. We usually have 30 to 32 people in every stretching class.”

And Thorpe said he sees a lot of people who voted against the expansion working out at the fitness center five days a week.

Thorpe said group classes have encouraged more social interaction among members. That, in turn, has helped boost food & beverage revenue by 12 percent since the fitness center officially opened in early March.

One payoff that is less tangible in dollar and cents is that the fitness center will help members stay healthier and active longer, Thorpe said. That can mean less turnover in membership.

Many Hammock Dunes members have signed up for personal training, which produces extra revenue. And the club is negotiating with a local hospital that is interested in renting space to offer physical therapy.



John's Island's Caldabaugh said personal training is taking off at his facility as well.

"It's one-on-one, private personal training done by a trained fitness professional," he said. "We've had 17 part-time seasonal trainers working for us, as well as some full-time trainers."

The club also has a nutritionist on staff, who presents wellness seminars and gives individual advice to members for a fee.

"We have guest speakers on wellness and had an open house in January with an expert talking on the importance of sleep," Caldabaugh said.

Sessions have aimed at women focused on menopausal issues and bone health.

Personal training services also bring financial benefits to Boulder Country Club in Boulder, Colo.

General Manager Michael Larson said

the club's personal training revenue is about \$350,000 a year. The club has two physical therapists on staff, so members can receive therapy after surgery or illness at the club instead of going to an outside facility.

For clubs unable to expand their fitness staff, technology can provide an alternative. A virtual cycling studio can be created with Peloton stationary bikes that provide members with live and on-demand instructor-led group fitness classes via a 22-inch HD touchscreen. As many as 14 live rides are streamed daily and more than 4,000 classes are available on demand.

Resorts offer spa services

Destination resort hotels typically feature fitness centers that offer the ultimate in spa services and generate a healthy rev-

enue stream. So it's easy to understand why many private clubs are starting to provide more spa services.

At Arizona's Fairmont Scottsdale Princess, a hotel adjoining the TPC Scottsdale golf course, the spa offers multiple services to both hotel guests and the public. Its 90-minute Alpine Arnica Massage can cost up to \$275. Acupuncture and pedicures also are offered.

There are other amenities as well: a sauna, a steam room, a Swiss shower, top-of-the-line fitness equipment, cutting-edge health programs and classes, a private rooftop pool, hot and cold plunge pools and a waterfall grotto. All of that and more is available to those who buy Well and Being memberships, which cost \$225 a month for one person and \$300 a month for a couple.

SGA *The Society of Golf Appraisers*
Providing Industry Leadership

The most important shot in golf is the next one.
~ Ben Hogan

www.golfappraisers.org

The SGA/Society of Golf Appraisers (SGA) is a non-profit organization. SGA members provide comprehensive advisory & valuation services, educational programming, and informative publications to the golf industry. For more information about our members and the SGA, visit www.golfappraisers.org.