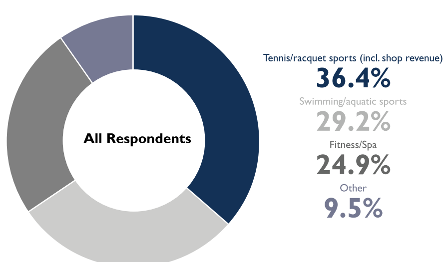
Board Brief

March/April 2021

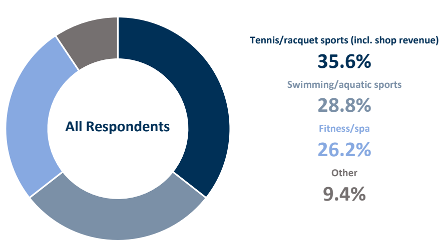
CLUB MANAGEMENT ASSOCIATION OF AMERICA

By the Numbers: Racquet, Aquatics, Fitness/Spa, and Other Sports Insights from the 2020 Finance and Operations Report

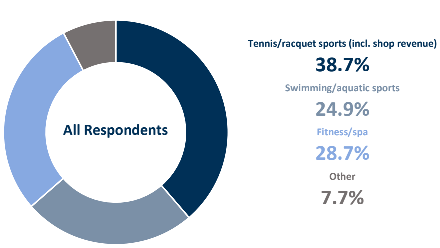
Racquet, Acquatic, Fitness/Spa, and other Sports Revenue 2018



Racquet, Acquatic, Fitness/Spa, and other Sports Revenue 2019



Racquet, Acquatic, Fitness/Spa, and other Sports Revenue 2020



Released in November 2020, the 2020 CMAA Finance and Operations Report, presents key financial and operating data from across the club management industry. Based on confidential surveys completed by 357 clubs in 2020, the report includes a compilation and analysis of club finance and operations data.

This year's Finance and Operations Report (based on 2019 data) has been designed to provide easy-to-understand guidelines for identifying business performance improvement opportunities. We've compared this data to that of the past two years to demonstrate trends in the area of finance and operations and to give a basic understanding of the Report. The section of the report we are examining in this issue focuses primarily on Racquet, Aquatic, Fitness/Spa, and other Sports at the club.

This report includes data regarding the Racquet, Aquatic, Fitness/Spa, and other Sports Revenue for respondents. As a percentage of the whole, Racquet sports have remained consistent between 2017-2019, providing approximately 37 percent of revenue. Interestingly, Aquatic revenue and Fitness/Spa revenue have traded prominence over the last three years. In the 2020 report, Aquatic revenue provided around 25 percent and Fitness/Spa revenue provided around 29 percent – almost the exact opposite of what was seen in the 2018 report. This movement may be interesting to watch over time.

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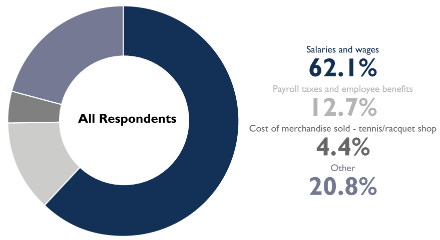
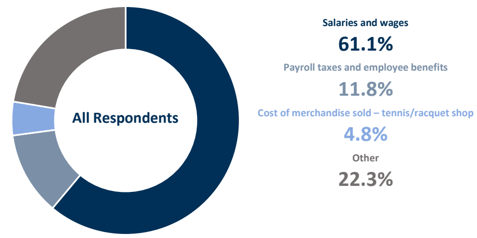
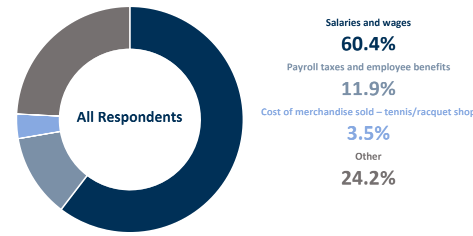
2018



2019

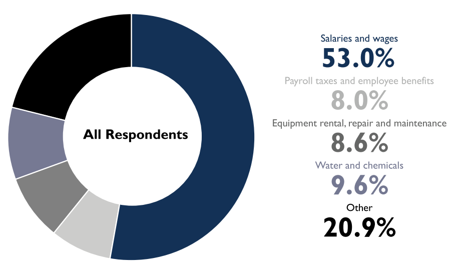


2020

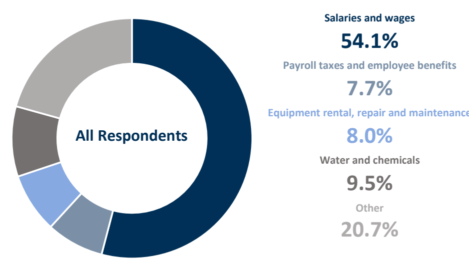


In the 2020 report, the salaries and wages made up approximately 60 percent of tennis/racquet sports expenses. This figure is consistent with data reported from both the 2018 and 2019 reports. Above, you can see Tennis/Racquet Sports Expenses for the past three years – the allocation has been consistent across the reporting points in that time, with payroll taxes and employee benefits accounting for about 12 percent of expenses in this area annually.

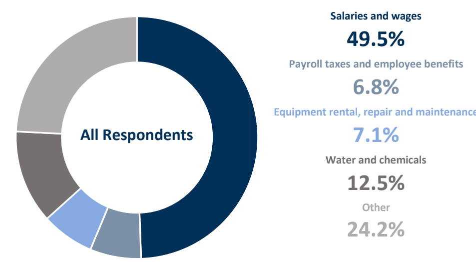
2018



2019

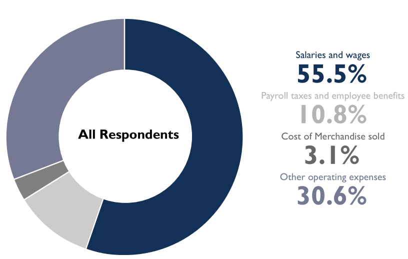


2020

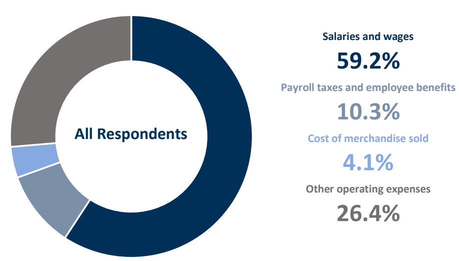


Similarly, expenses in Swimming/Aquatic Sports have generally remained consistent across the last three years. Approximately 52 percent of expenses for Aquatic Sports have gone toward salaries and wages while about 7.5 percent of expenses have been apportioned to payroll taxes and employee benefits. Swimming/Aquatic Sports provides an additional expense area: water and chemicals, which have on average accounted for about 10.5 percent of expenses over the last three years.

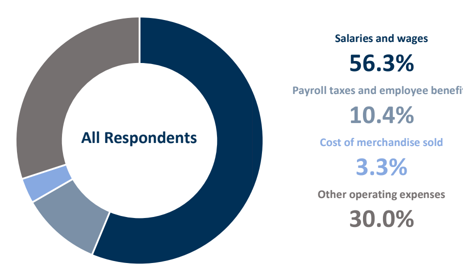
2018



2019



2020



Finally, we look at Fitness/Spa expenses. On average, over the past three years 57 percent of expenses in this area are designated for salaries and wages. Payroll taxes and employee benefits have remained consistent across the board at approximately 10 percent. Cost of merchandise sold accounted for about 3 percent of expenses in the 2020 report, which is consistent with data from the previous two years. Similarly, other operating expenses have consistently accounted for about 30 percent of all expenses in Fitness/Spa.

Source: Access the 2020 Finance and Operations Report Executive Summary at cmaa.org/surveys.aspx. Club survey participants may access the Full Report and their Individual Club Report on the Research Portal at cmaa-research.org. Club Resource Center subscribers receive a copy of the print report and have access to an online data analytics platform, which allows clubs to compare their data versus five peer groups and create customized aggregations of the survey results. Learn more about the subscription at clubresourcecenter.org.

Best Practices: Club Management Recruitment, Retention, and Development

As it relates to staff leadership positions, diversity is coming much more quickly, hastened even further by the COVID-19 crisis. For the past several years, most university hospitality programs have been dominated by women, and with an increasing diversity in race of both genders. Many of the women in these programs have started to matriculate into higher level management positions, as have those of color. Many women who historically migrated into event planning have now seen opportunity in broader general management roles and are graduating into those areas. Nearly all clubs are requesting diversity in their candidate selection process as well.

Best Practice: Clubs should take a much more proactive role in working directly with local university programs to establish a relationship with students early in their hospitality schooling.

The best and most iconic resort and hotel brands have done this for several years, causing clubs to lose out on attracting the best and brightest who have already committed to another side of the industry. Having a written, thoughtful talent recruitment, retention, and development plan is simply a standard best practice employed by most top leaders and their clubs today; regardless of size operation, some form of this process and commitment is scalable to success in your club.

Best Practice: Clubs should implement a talent recruitment, retention, and development plan.

A key recent area of significant diversity growth has been prompted by COVID-19. Huge numbers of traditional hoteliers, resort operators, and restauranteurs have sought out the stability of clubs during the crisis compared to the massive layoffs or furloughing that has occurred as a result of state or local mandates, as well as the downturn in travel and leisure overall. Many of these leaders have a rooted foundation in process and procedural training and development of operational standards, too often not well established in the club industry. The appeal of those individuals bringing that type of training and business knowledge to the club industry has been significant, and with it has come a significantly broader range of diversity from much more progressives sides of the hospitality business. The manager in development programs in iconic brands like Ritz-Carlton, Four Seasons, Marriott, St. Regis, Montage, and many others have drastically cut and eliminated levels of management, thus allowing very qualified, talented, and multi-cultural managers to emigrate to the club industry, which by comparison was much less impacted or subject to staff layoffs during the same COVID period.

Best Practice: A staff member, usually the Director of HR, should be actively scouring this area of the industry, usually via LinkedIn, or a similar business social network.

Most individuals looking for a new opportunity can be easily identified through the tools and resources found on LinkedIn or in other similar systems; almost like a CRM model used by many clubs to identify and track/manage membership inquiries. Recruitment isn't simply putting an ad on national job posting sites; it is developing an educational opportunity to inform potential employees about the club, the opportunities you provide, and how you can help them to become better or more valuable to the club if already in place.

Committing to a plan, executing the plan, and monitoring the plan to ensure success is simply a best practice in any industry, but it is becoming much more critical in this uber-competitive club world. It rarely happens in a true organic way; it takes a thoughtful, dedicated approach from someone(s) who are truly invested in the plan and its foundation—why it was created and how it will help the club in the long run.

Legal, Legislative, & Regulatory Update

Department of Labor Finalizes Independent Contractor Rules

On January 6, the Department of Labor (DOL) published a final rule which outlines how clubs and all employers should determine a worker's status as an employee or an independent contractor. The final rule implements the following criteria:

- **Adopts** the economic reality test that considers whether a worker is in business for themselves (independent contractor) or is economically dependent on an employer for work (employee under the Fair Labor Standards Act).
- **Establishes** two core factors for consideration when determining the degree of economic dependence, specifically the nature and degree of the worker's control over the work and the worker's opportunity for profit or loss based on initiative and/or investment.
- **Identifies** three other factors that may serve as additional guideposts in the analysis including the amount of skill required for the work, the degree of permanence of the working relationship between the worker and the potential employer, and whether the work is part of an integrated unit of production.
- **Advises** that the actual practice is more relevant than what may be contractually or theoretically possible in determining whether a worker is an employee or an independent contractor.

The DOL published a draft of the rule for comment in September and accepted more than 1,800 comments through October. The rule becomes effective on March 8.

Before making any changes, clubs should consult applicable state and local laws. While the DOL and FLSA establishes regulations for covered workers, it does not supersede more protective state and local mandates. To read the rule in its entirety, visit *https://www.federalregister.gov/documents/2020/09/25/2020-21018/independent-contractor-status-under-the-fair-labor-standards-act*.

CMAA News & Announcements

CMAA Solicits Feedback on Proposed Club Industry Financial and Operational Metrics

CMAA is soliciting public comments for its Universal Key Club Performance Indicators White Paper which outlines a core set of metrics that the club industry can use to determine the financial and operational health of their club.

This white paper is the result of the Universal Key Club Performance Indicators Task Force which was formed in March 2020. Over the last nine months, the Task Force has worked and collaborated to create metrics that would become a common language between club managers, boards, and industry consultants.

Stakeholders in the club industry are encouraged to read and review the white paper and submit comments through this online portal. Comments will be accepted for the sixty days until 11:59 p.m. on March 21. All comments will be reviewed and considered.

For more information or to provide comments, visit *https://www.cmaa.org/resources/contact/commentUKCPI.html*.

The Board Brief is a publication of the Club Management Association of America. Founded in 1927, the Club Management Association of America (CMAA) is the largest professional association for managers of membership clubs with 6,800 members throughout the US and internationally. Our members contribute to the success of more than 2,500 country, golf, athletic, city, faculty, military, town, and yacht clubs. The objectives of the Association are to promote relationships between club management professionals and other similar professions; to encourage the education and advancement of members; and to provide the resources needed for efficient and successful club operations. Under the covenants of professionalism, education, leadership, and community, CMAA continues to extend its reach as the leader in the club management practice. CMAA is headquartered in Alexandria, VA, with 42 professional chapters and more than 40 student chapters and colonies. Learn more at *cmaa.org*.