



LARRY HIRSH

## Where Do You Want To Swim?

**A FRIEND OF MINE RECENTLY RECOMMENDED THE BOOK, BLUE OCEAN STRATEGY, BY W. CHAN KIM AND RENEE MAUBORGNE. HALFWAY THROUGH, IT QUICKLY BECAME APPARENT TO ME THAT MANY STRUGGLING CLUBS ARE “SWIMMING” IN THE WRONG PLACE.**

*Blue Ocean Strategy* challenges companies to break out of the “red ocean” of bloody competition by creating uncontested market space that renders the competition irrelevant. It was overwhelming how many examples of this there are in the club industry – clubs swimming in the red ocean when it wouldn’t be that hard to find calmer, blue waters.

I used to live in Harrisburg, Pennsylvania and for most of my life played golf at a club there. Historically, there were three country clubs in the immediately competitive area and one generally served the “old money” segment, one the “blue collar” segment and our club was known as the “Jewish” club.

Through the 1960s, ‘70s and ‘80s each of these clubs thrived in its own *Blue Ocean* market environment largely based on this “segregation” atmosphere. As times changed and clubs became somewhat more competitive, the lines separating social groups became less clear and each of these clubs integrated to some degree those member populations traditionally “assigned” to the others. Society’s progress became the club world’s challenge.

The critical question for clubs is, how does one swim in blue oceans and avoid swimming in the red ones? For clubs that have been mired in a “rope-a-dope” mentality, that mentality, as a first step, must change. Membership (or ownership) must identify what is or can be special about their club to differentiate it from the rest of the market.

Whereas the *Blue Oceans* of the past were easy to find, the main factor that made each of these clubs unique gradually fell away. Through the ‘90s and early 21st century, competition between the clubs became increasingly aggressive and price driven. Despite no new market competition in the pri-

vate club sector (new public courses were added), all three clubs experienced a slow, steady decline that was often referred to as “a race to the bottom.” During this period, none of the three clubs sought to swim in the *Blue Ocean*. They essentially did nothing.

While doing the *right thing – sober, creative planning supported by good management – is preferable, many clubs* simply do nothing. In my 30 years of consulting to clubs, that rarely, if ever, works.

In 2009, the first of the three clubs failed. A developer who agreed to operate it for a specified period of time bought it. The deal included an option to redevelop the property; if the club is not ultimately successful, it is widely anticipated the new owner will pursue that option.

After a long, steady decline, the second club concluded, in 2012, that it could no longer survive. It ultimately sold (for what was widely considered a significantly discounted price) – to the same developer, with a similar agreement not to develop the property for a five-year period. Both clubs are now open to the public and the remaining club is reportedly moving forward, but at something less than full speed ahead.

Faced with economic recession and the competitive environment, these clubs clearly accepted the plight of the *Red Ocean* and drove each other into a death spiral. During that

decline, rather than electing to invest in their clubs and differentiate themselves from the competition, each chose to play “rope-a-dope” and do nothing but cut expenses. Pressed for cash, they ignored the updating and upgrading that clubs must do in order to provide value in continued membership.

It didn't have to be this way.

The Philadelphia Cricket Club (PCC) was already unique three years ago. With 45 holes of golf at two locations – in addition to tennis, swimming, cricket and squash facilities – PCC was among the most desirable clubs in the region, if not the country. Yet club leadership observed that certain facilities were getting tired and membership was aging. They set about developing an ambitious course renovation plan. In 2011, it was successfully sold to the membership (after first being rejected, in 2008) as an act of “stewardship.”

Sixty-eight percent of the membership approved, despite a significant assessment to each member. Some resigned, but an aggressive membership development program has brought the golf membership to capacity for the first time in many years.

While each situation is different, it's clear the clubs in Harrisburg chose to swim in the *Red Ocean* and PCC elected to swim in the *Blue Ocean*. This is consistent with observations I've made during the past 10 years: Those clubs that have forged ahead, created value in membership, and updated/upgraded their clubs have not only created pride in membership, but have developed more value for members, more stable memberships, and economically healthy clubs.

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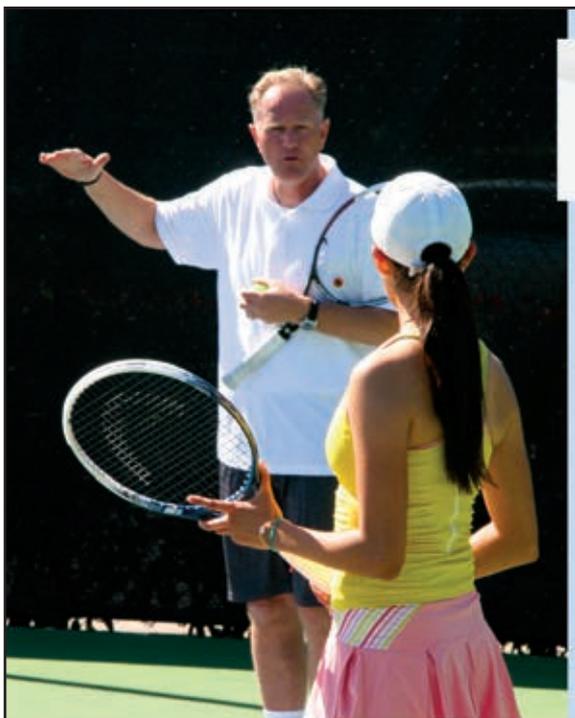
(or ownership) must identify what is or can be special about their club to differentiate it from the rest of the market.

The second club in Harrisburg, for example, had no significant practice range. At one point, a plan called for modifications to the golf course and development of a first-class practice area. Leadership never gave the plan a chance and it died. With no other area clubs boasting quality practice facilities (a must in today's environment) the club could have reached the calmer Blue Ocean waters from that alone.

At the end, a club that boasted more than 300 golfing members in 2000 was down to approximately 120 in 2011, according to many reports. Three years earlier, in response to anticipated troubles at the neighboring club, the club's long-range planning committee recommended against any investment in the club in favor of a strategy that was essentially “waiting for the neighbor club to fail.” This club elected to do nothing, to swim in the red ocean, and be eaten by sharks.

The moral of the story is to do something. Plan properly, favor logic over emotion and don't allow your club to get behind the times. **BR**

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