



PACESETTER
TECHNOLOGY

Smart Clubs
of the **World.**

Executive Summary

As much as we protect the long standing traditions that define our club history, member expectations will increasingly influence the services we must offer and the way in which we deliver them - because whether we accept it or not, we are operating in the expectation economy.

What is the expectation economy? Here's the definition from David Mattin of Trendswatching:

"An economy of ever accelerating expectations, applied ruthlessly to every purchase decision, experience and moment of attention."

So why should private club managers care? Simply put, the club is not a societal must have, it's a discretionary luxury. As such, it's exceptionally vulnerable to the rising expectations of its current and future membership. A membership whose expectations have never been higher and will never stop rising.

To that end, we set out to understand how the most successful clubs in the world (we call them Smart Clubs) are adapting to - and thriving in the expectation economy.

The first of its kind, this report explores four specific macro trends redefining the member experience in clubs around the world and offers an insider's look at how our industry's forward thinkers are adapting right now.

It's no coincidence that the four trends we're exploring are consumer trends; members are consumers.

The four trends are:

THE DEMAND FOR PERSONALIZED EXPERIENCES

Consumers want increasingly personalized interactions with brands across every category. 51% of consumers expect that by 2020 companies will anticipate their needs and make relevant suggestions before they even make contact.

THE EVOLVING DEFINITION OF WELLNESS

Consumers are continually redefining wellness beyond the traditional gym. Fitness is evolving from goal to lifestyle and wellness is increasingly associated with nutrition and mental health.

THE NEW FAMILY UNIT

With multigenerational families on the rise again, millennial parents and boomer grandparents bring a new attitude and expectation for family time.

THE SPEED OF TECHNOLOGY

Smartphone technology is mainstream. 87% of us now carry more computing power in our pocket, than it took to launch the Space Shuttle.

In addition to exploring each of the four trends above, we identify consistent behaviors demonstrated by "Smart Club" GMs, as well as, current gaps in service delivery that are poised for closure in the near future. Finally, we conclude the report with some actionable recommendations for exceeding member expectations and some predictions in club innovation inspired by our conversations with today's leading general managers.

1. "State of the Connected Customer", Salesforce, 2016
 2. Pew Internet, Mobile Fact Sheet, 2017

Table of Contents

1. Common Behaviors of Smart Club General Managers
2. The Trends: Four Opportunities to Thrive
3. Conclusion: Gaps, Recommendations & Predictions



Common Behaviors of Smart Club General Managers

Running an efficient, profitable club is no longer a central goal, it's table stakes.

With competition for membership growing fierce, Smart GMs know they need loftier goals which require a different mindset and a bias toward action. As such, they are expanding their thinking, adding creativity and innovation to their traditional business and hospitality skill sets.

This added creativity and innovation manifests itself in many ways however, four common behaviors stand out from the rest:

BEHAVIORS OF SMART CLUB GMS

BEHAVIOR 1 CAPITALIZING ON THE POWER OF NAME RECOGNITION

100% of the GMs we interviewed felt that member name recognition was a very important part of delivering an exceptional member experience. 74% felt it was extremely important.

Traditionally, staff training to personalize a member's visit has taken a manual path with daily staff meetings and the circulation of member or guest dossiers posted at key areas.

Smart GMs are leaping past manual training and moving towards digital systems that empower their staff to immediately recognize the names (and preferences) of their members and guests from anywhere at any time.

BEHAVIOR 2 REDEFINING OR REPURPOSING CLUB SPACES

Smart Club GMs are spending an average of \$1-2 million every two years to repurpose space in a way that is more meaningful to current members and directly speaks to the lifestyle trends reflected in their preferences.

From creating exclusive experiences like the hidden prohibition era Blue Room at the LA Athletic Club, to simply repurposing space, GMs are looking at every room in the club through the eyes of the membership. For example, Fairfax Country Club transformed an underutilized function room into a WiFi ready cafe. Now, instead of pushing members towards a local Starbucks to caffeinate and connect, they keep them on the property.

BEHAVIOR 3 MASTERING THE MILLENNIAL MINDSET

Although Millennials don't make up the majority of dues paying members (yet), Smart GMs acknowledge their critical impact on the future of club membership because they understand two

things very clearly:

1. The millennial mindset creates a non-traditional path to membership.
2. This is a time and numbers game.

Whereas the membership path for Boomers and most of Gen X'ers looked fairly linear: you watch your parents (mostly dad) enjoy the club; then you go to college; get a job; work your way up; buy the house; join the club. The path for Millennials has shocking differences: college saddled them with debt; they are living with their parents; they don't want to 'escape' from their kids, and when it comes to huge investments (like a membership), they value access over ownership.

As millennials surpass boomers and continue to mature (they are 20-36 right now), 70% of the GMs we interviewed feel that tailoring programs to Millennials is very relevant with 43% stating it as extremely relevant.

BEHAVIOR 4 FOCUSING ON EXTENDED FAMILY

Our discussions indicate an evolving definition of the family unit itself. As we experience the renaissance of the extended family, the need for activities that appeal to multiple generations are on the upswing.

Whether it's "*Glamping on the Greens*" or multi-generational cooking classes, our interviews point to a new focus on planning entertainment dedicated to the family as a whole. Events that reinforce casual, convenient ways to gather with "*something in it for everyone*" are quickly replacing traditional events that require children to stay home with the babysitter.

We found Smart GMs dedicating resources towards understanding what families want next too, like the Next Generation committee at Birmingham Athletic Club that focuses on Millennial specific events and keeping the family event calendar fresh with family BBQ's and miniature golf matches.

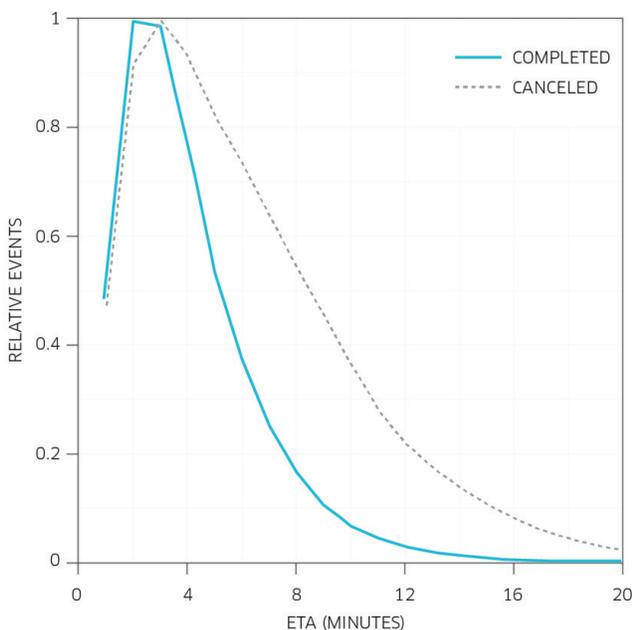
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The Trends: Four Opportunities to Thrive

Trends emerge when innovations raise expectations around any element of our customer experience. Innovations happen when external forces (for example mobile technology, or more access to venture capital) unlock a better way to meet our basic human needs. These innovations hit the reset button on our expectations - and then our expectations transfer into everything we do.

A great example of this is Uber. In January of 2015, they conducted a study revealing that the longer Uber served a city, the higher the rate of incomplete rides. They studied the ETA for a ride vs. the number of completed rides in multiple cities. Time and time again, they got mirrored results showing that patience is dwindling. As little as 5 years ago we may have been willing to wait 20 minutes for a cab, but today’s consumer only has a tolerance for a ride that comes within 5 minutes. This prompted Uber to release this quote: *“The bottom line is that we realize we have to continually raise the bar, to get you home from the bar.”*

Proportion of Completed and Canceled SF Trips vs. ETA
Jan-July 2014



Uber astutely named this reset in expectations for hailing a ride **SHIFTING PATIENCE**.

Not surprisingly, our shifting patience influences other industries as well. In all things retail, Amazon Prime feeds our instant shipping requirements - and more recently, Amazon’s new grocery pilot Amazon Go eliminates the need to even wait in a checkout line.

Now, let’s dive into the four trends impacting how you’ll offer and deliver services to your members from now on:

TREND 1

The Demand for Personalized Experiences

Personalization no longer means monogrammed towels. These days, personalization is about self-expression and ultimately status. Members want you to “get them” and tailor your communications, your amenities and the entire club experience to their personal preferences. Your membership is living amid the rise of the “*post-material status-sphere*” where the only thing left for them to pursue is status.

It’s critical to understand, they don’t acquire status through “*getting more stuff.*” Increasingly, they acquire status through unique experiences they are compelled to share. HINT: The more they can document the experience the better - #seeinstagram.

WHAT SMART GMs KNOW

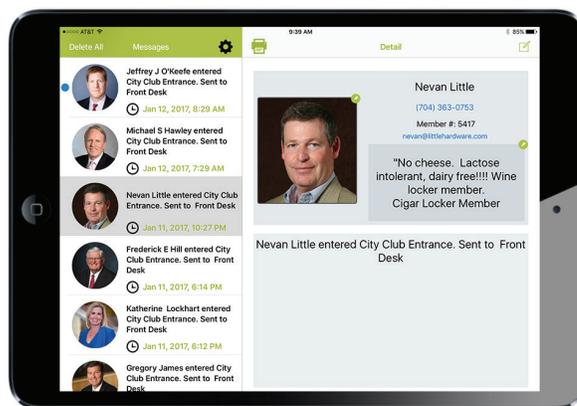
The private club is the perfect place to deliver unique experiences that feed self expression and need for status. So how are the smartest GMs thriving amid this trend? We see their response manifesting in two major ways: name recognition and radically relevant communications.

Simply put, name recognition is the ability for club staff and members to put a face with a name - every time. Radically relevant communications are strategic, curated messages based on known preferences and a member’s historical use of the club or current location - delivered in the most consumable format.

A great example of name recognition in action can be found at The Union League of Philadelphia.

Using the power of beacon technology plus the device in all our pockets, Jeff McFadden launched a custom club app that has changed the game for personalizing member and guest experiences. Jeff’s goal is “*to take an employee who has been here for 10 days and make them seem like they have been here for 10 years.*” His staff anticipates member arrival by receiving a notification seconds before the member opens the front door. They see the member’s name, their image and personal preferences, so they can greet every member like a VIP. In doing so, they deliver a consistently personalized experience from arrival to departure, no matter how the member is using the club that day. The user experience on the member side is unique as well. For example, members can access a photo directory that allows them to bond with fellow members or they can request their car from valet

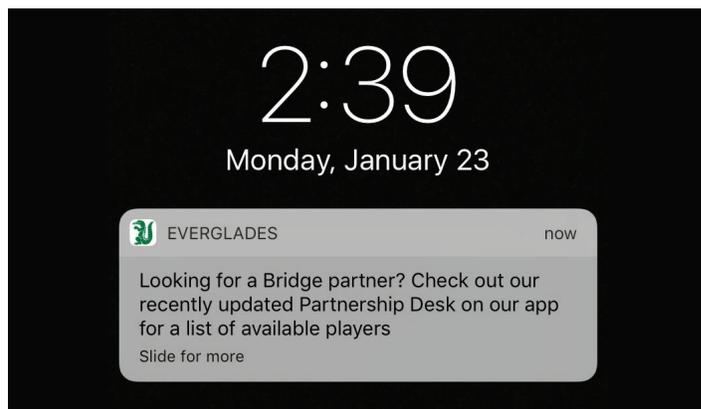
in one click. As a bonus, Jeff is consistently building a powerful database of personal preferences he uses to tailor the club communications and experiences he designs for his members.



A strong example of keeping communication personal and relevant is what Scott Lese of The Everglades Club is doing.

Scott’s using known member preferences and data segmentation to evolve from the traditional “*spray and pray*” style of email communications towards well timed, personalized invitations delivered via push notification. In an ultra exclusive environment like The Everglades Club, these personalized communications reduce the noise of mass emails and send a targeted, relevant mobile push notification to only those who need to know (you know, like the ladies who play bridge on Tuesday afternoons.) Furthermore, to boost convenience and grow utilization, he adds a layer of convenience with one click RSVP and calendar syncing to the member’s device.

The results? More engagement with each communication and much stronger event participation from members.



TREND 2

Redefining Wellness

Being well no longer means “*not being sick.*” According to Goldman Sachs, Millennials consider wellness a daily, active pursuit that includes mind, body and soul. As such, your members (Gen X and Boomers included) are continually redefining wellness beyond the traditional gym. As fitness evolves from a singular goal (like weight loss) to a consistent lifestyle, we see the broader definition of wellness encompassing fitness, nutrition and mental health.

Key fitness industry milestones reveal that sweating in small unique spaces is trending:

- Pure Barre opened the 400th franchise location.
- SoulCycle began prepping for an IPO.
- ClassPass, the flat fee studio pass hit a \$100M run rate.

What’s the draw? According to studio goers, it’s the unique offerings, personalization and social experiences.

From a nutrition standpoint, whether it is raw ingredients or delivered meal kits, your members have never had so many convenient options to enjoy healthy, organic food. According to CB Insight’s Periodic Table of Food Tech, when we follow the money, we see nearly \$5.5 Billion in 2016 was invested in food delivery startups alone.

It’s clear to see that organic food, sustainably sourced and conveniently delivered, will be the culinary expectation in your member’s future.

So how are the smartest GMs adapting their fitness and culinary offerings to satisfy what members crave? We see their responses manifesting in two major ways: more choices in social fitness and expanding the club’s “*healthy kitchen*” into member’s homes.

A comprehensive example of adapting to a more holistic view of wellness can be found in what Nicole Mains and Mike Larson of Boulder Country Club are doing. Their approach addresses the continuous pursuit of wellness: Workout. Eat Well. Recover. Repeat.

For working out, BCC now offers 50+ highly social studio classes ranging from speed golf and spinning to pilates, yoga, and barre. For eating well, they send a nutritionist to a member’s home to de-junk their pantry. To address recovery (because people who work out continuously eventually deal with injury), BCC offers physical therapy services at the club - it’s brilliant. While they don’t take insurance, they offer a paid service that allows members to access the care they need within a more personal, convenient setting. And when they’re finished, they can have lunch at the club.

4. www.goldmansachs.com/our-thinking/pages/millennials/

Food has always played a central role in the way people come together. Therefore, it's not surprising to find the most common changes executed at Smart Clubs begin with creativity and innovation in the kitchen.

A few stand out examples of increasing options for organic, healthy food, accessible outside of the dining room include:

The herb garden at the Jonathon Club:

Converting the club's rooftop into a gorgeous display of fresh organic greens, the club not only sustains the kitchen, but offer's members the chance to experience the garden and learn about growing their own food.

The 'free range' on the driving range (sort of) at Medinah CC:

Optimizing a corner of underutilized land, Robert Sereci and his staff planted an organic vegetable garden that boasts 34 different fruits and vegetables, 17 savory herbs and garnishes and 6 varieties of edible flowers. In addition, Medinah taps it's own Maple trees for syrup, has a chicken coop with 40 hens and has plans to inaugurate an in-house bee colony. As much as the garden supplies the kitchen, it also serves as a social way to bring Medinah's member community closer together.



Jonathon Club



Medinah Country Club

TREND 3

The New Family Unit

The member you served in the 80's was dad. He used the club as a social getaway, playing golf and spending time with other male members and business associates. The member you serve today is the extended family unit, including a member's spouse or significant other, and above all else - the kids (and grandkids). They use the club as a place to connect with each other with a focus on making sure there is something in it for everyone.

While they are there to connect as a family, it's important to note that each generation brings different expectations to the club:

Millennial parents run their families like mini-democracies, commonly kicking off the weekend by seeking consensus on *"what should we do today?"* As they back off the overly scheduled days of their own childhood, millennial parents seek less structured weekends that continually offer new experiences their young kids will love.

Gen X parents are at the peak of their careers and sandwiched between their young teens and

their aging parents. They seek experiences that will entertain their teens and make their over-committed lives more convenient, or at the very least give them a temporary moment to relax and recharge.

As they begin retiring, boomers are becoming the most physically and financially involved grandparents of any generation. Nearly a third of grandparents watch their grandchildren one + days a week. With extended families on the rise again, millennial parents and boomer grandparents bring new attitudes and expectations for family time.

So how are the smartest GMs adapting to the needs of the multi-generational family? We see their response manifesting in a huge shift toward amenities designed to include the whole family, not just the primary member.

A few stand out examples of creative, family-centric amenities include:



Glamping on the Green

GLAMPING ON THE GREENS

There is likely no better example of tailoring a club experience to the whole family than Shady Canyon Golf Club's Glamping on the Greens. Steve Buck and his staff take the proverbial 'family right of passage' - camping - to an entirely new level. One day per year, they convert a fairway into the Shady Canyon Campground...but they do it up - way up. With luxury tents, zip lines, professional entertainment and hot air balloon rides, the whole experience is highly anticipated, very unique and widely shared on social channels.

5. Grandparent Economy: How Boomers are Boosting the Next Generations: www.thefiscaltimes.com/2015/12/02/Grandparent-Economy-How-Boomers-Are-Boosting-Next-Generations

KOHANAIKI

Another example of rethinking the clubhouse is Kohanaiki. They recently designed a dining room, game room and four bowling lanes that flow together to create a seamless family dining and entertainment experience for the multi-generational family. Not only have they developed this space for the extended family, but they have curated experiences that take childcare to a whole new level.

Rather than offering traditional “babysitting” in a nursery full of germ-y toys, they are hosting daily interactive learning adventures that teach the kids about everything from Hawaiian history and topography to local ecology. It’s a win for the kids because it’s fun and it’s a huge win for the parents and grandparents who can feel good about taking some time away from the kids to enjoy other parts of the club.



Kohanaiki

TREND 4

Advances in Technology

93% of Americans with an income over \$75k own a smartphone. That means your entire membership (and probably most of their kids) now carry more computing power than it took to launch the Space Shuttle in their pockets.

Smartphones have increased our expectations and decreased our patience. In nearly every industry some company has re-written our experience using technology.

- We can board an airplane with a watch - Thanks Apple.
- We can voice command a vanilla latte - Thanks Starbucks.
- We can check out of the grocery store without waiting in line - Thanks Amazon.
- We can visit a new property in another country - 1000 miles away - Thanks Virtual Reality.

We're also tragically dependent on our smartphones. They are now our main place to connect for work, schedule our lives, and document important information or memories. Don't leave home without it!

The smartest GMs are putting all that computing power and hyper dependency to work for their clubs. They're using location services and member directories to know who's at the club. They're putting food & beverage and even valet services on demand. They're literally using smartphones to unlock doors.

So how are the smartest GMs adapting to advances in smartphone technology? It starts by making the bold move away from a "no cell phones culture" and instead, embracing what's possible.

Following are some stand out examples of Smart Clubs changing the game with existing smartphone technology:



RIVIERA COUNTRY CLUB SPEEDS PLAY

Riviera has introduced a custom, private club app for their members. It streamlines the club experience both on and off the course. On the course, Riviera's app uses the native location awareness capabilities in the smartphones and encourages golfers to make digital food and beverage orders one hole prior to the turnhouse (no calls...just a few clicks). With just a tap and a swipe, members see the menu and place their order. Members and the members behind them no longer have to wait!

HOLLYBURN LOCKS DOWN SECURITY BY UNLOCKING SIMPLICITY

When Hollyburn wanted to improve security, they knew that would mean more member access issues. Instead of issuing or tying access to membership cards or special key fobs, Hollyburn chose to leverage the one piece of technology everyone keeps up with - their phones. Access is tied to membership, and now with the wave of smartphone, members can unlock several doors at the club. James Bond, Luke Skywalker and Sheldon Cooper would approve.

CHARLOTTE CITY CLUB KEEPS STAFF IN THE KNOW

In an effort to streamline training and minimize the impact of staff changes, Charlotte City Club has begun using a custom app that provides valuable information for staff. Whether it's an employee's schedule, the agenda for the day, or simply sharing important club news, Charlotte City Club's staff are always up to speed.

DC RANCH MAKES PRACTICE PAINLESS

With the ability to request their golf clubs before they arrive, DC Ranch members can swing in for some quick practice without a huge time commitment. With just a few clicks, a member's golf bag is fetched and positioned for the perfect practice session - no more excuses!

ANSLEY KEEPS THE KIDS SAFE

Families are the focus at Ansley and safety is a big part of that focus. With an investment in member profiles, parents can securely authorize another approved adult to pick up their children from the club.

THE CLIFFS PERSONALIZES THE DISCOVERY EXPERIENCE

At The Cliffs, they understand that when an impromptu opportunity arises to share content, it usually happens from one's smartphone. They also understand that prospective members are "*soon to be*" land owners. Thus, their experience on a two day discovery visit is critical. That's why The Cliffs is building a digital mobile experience tailored to a prospect's trip with a personalized detailed agenda, real estate listings and all of the promotional videos. This way, when the prospect returns home, they can share the beauty and exclusivity of the The Cliffs from their smartphones.

Gaps, Recommendations and Predictions

For all of their forward thinking, many Smart GMs admit to playing catch up with at least one or two trends above. No-one has mastered it all just yet. Even as their best ideas get fully baked, execution remains a challenge for many GMs as they secure the time and tools to execute.

Here's where we found the largest gaps between what Smart GMs are planning for the future, and where they are now:

GAP 1 **PERSONALIZED EXPERIENCES BASED ON PREFERENCE**

While there has been significant effort to help club staff recall member and guest names, most GMs still struggle with knowing member preferences and making them the centerpiece of the club experience.

GAP 2 **FAMILY FUN**

While there is widespread agreement that increasing events and activities designed for the family is important, most clubs still offer limited events with only 10% of our respondents sponsoring something at least weekly for the entire family.

GAP 3 **CONSUMABLE COMMUNICATIONS**

While nearly all respondents report using emails and newsletters, push notifications and video are the communication medium most GM's believe will be preferred within 5 years.

GAP 4 **HIGH SECURITY**

While nearly all respondents believe that a higher level of security is important to their members, 80% admit that their security is not very high.

RECOMMENDATIONS

Regardless of your current membership and budget, you must pay attention to the trends that are poised to change everything about the private club experience. Recognizing that some clubs are just beginning to consider how to adapt to these trends, we've pulled together some recommendations for getting started:

Start at a the sweet spot that signals to your members, guests and staff that their experience is your priority - name recognition. Whether you tackle it manually with daily staff meetings and notes or take a more automated approach with technology, make sure your staff understands why this is important. When done well, name recognition creates an ongoing and self-sustainable positive experience for both members and staff. Hopefully, you can avoid the awkward situation when a member greets you with a smile and your name and you can only reply with a smile.

Invest in small, impactful changes that are simple to execute, but don't require new resources. Here are some simple examples:

- Schedule a new mommy/daddy and me yoga class. There are independent "*neighborhood boot camps*" self organizing everywhere - simply make the club the host location. You can even ask an enthusiastic club member if he or she would like to run it.
- Offer a chef's table during regular dining hours. Simply add a table to the dining room situated near the kitchen, and ask your chef to explain the nightly menu with interesting details about the ingredients and the preparation.
- Schedule Social Golf Nights and promote them to members age 21 and up. Simply reach out to 3 local craft breweries and let them offer their finest brews on every 3rd hole (this is your version of Topgolf).

Embrace technology. Audit the current member experience from arrival to departure and consider how technology can make every touch point more convenient and "*friction free*". Could you make it easier to order food from the pool during the summer? Could you make it easier for someone to get their clubs before a round of golf? Could you make booking a dinner reservation faster? Could you extend the kitchen into food delivery? Could you turn RSVPs into calendar reminders? The technology to support all of these exists.

PREDICTIONS

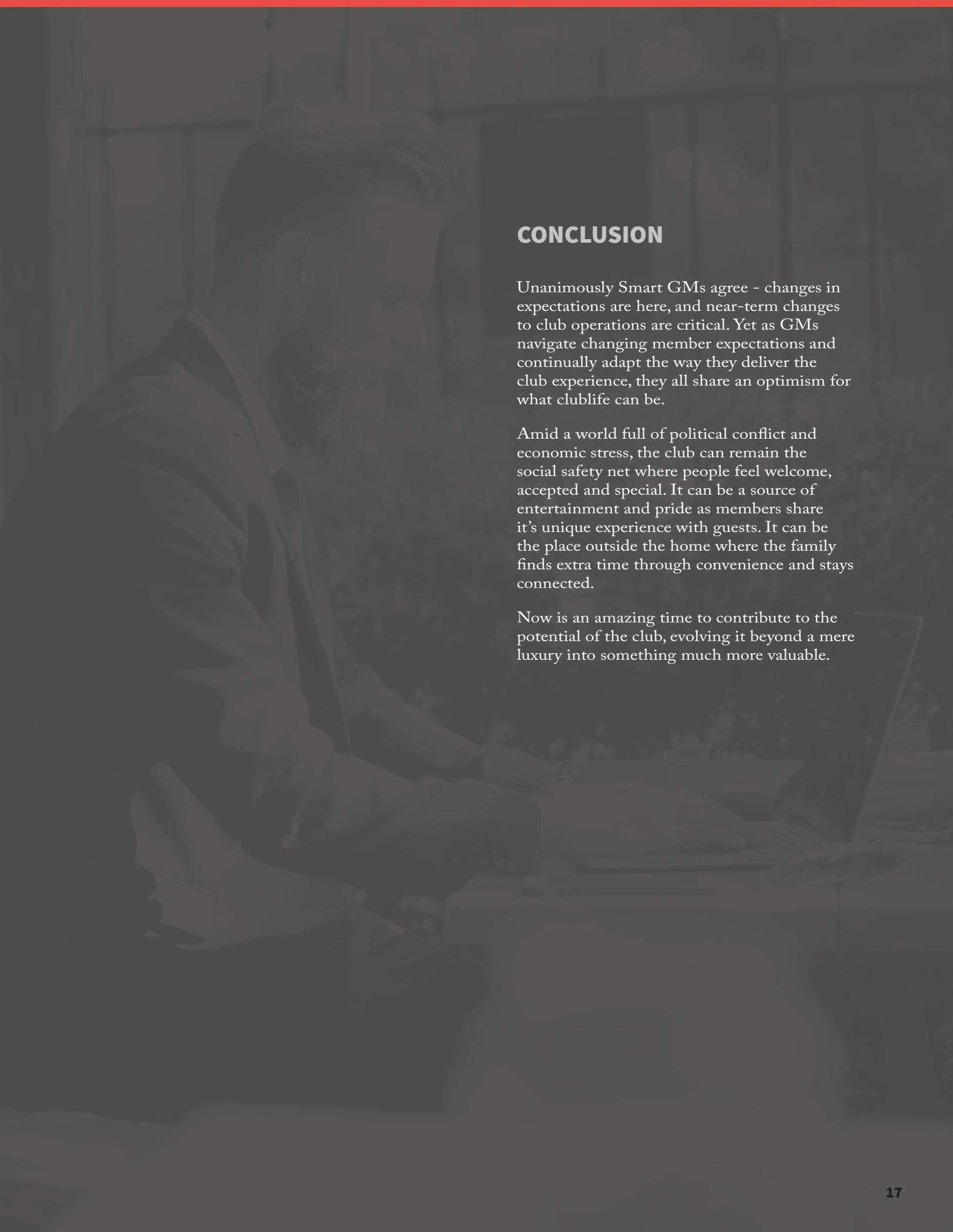
During our interviews with Smart GMs we got a glimpse into what they have planned for the future. In all transparency, some of their plans require new technology and that's where Pacesetter comes in.

As software developers, our product roadmap has always taken inspiration from creative, problem solving GMs. As we talk through their challenges and repeatedly ask each other “*what if?*” and “*why not?*” we’ve landed on the ideas that have become real world solutions.

Simply put, we build technology that makes the member experiences GMs dream of and turn in into a reality.

To that end, what would an insider’s report be without a few predictions for what GMs are dreaming of next?

1. The Smart Clubs of the future will use membership models that emphasize access over ownership. As the millennials continue to outnumber both Boomers and Gen X, their values will have increasing impacts on membership structures. The millennials are a generation saddled with school debt forcing many to delay major purchases. They already show signs of financial commitment fatigue and gravitate towards flexible ‘use only what you need’ business models.
2. The Smart Clubs of the future will use more non-verbal communication. This may feel counter-intuitive to you, as it flies in the face of what clublife stands for. However, when we consider that 41% of our future members (millennials) prefer technology vs. face to face communication, we see text and video becoming the main medium for keeping members informed.
3. The Smart Clubs of the future will be socially aware, responsible and transparent. Taking a queue from B2C enterprises who already realize this is the key to recruiting and retaining employees and customers, clubs will articulate and prove positive social and environmental contributions.
4. The Smart Clubs of the future will prioritize speed. “*Shifting patience*” was the tipping point. Consumers won’t tolerate the slow and the analog (unless it contributes to some retro, nostalgic experience). Every service at the club, from ordering food and beverage to spontaneously booking a spa treatment will need to be delivered at the speed of right now.
5. The Smart Clubs of the future will design interiors that work with technology. For example, we’re already seeing clubs consider materials like wireless charging surfaces that allow smartphones to charge on contact.
6. The Smart Clubs of the future will curate experiences that rival anything a member can access outside of the club. For example, instead of losing members to a local music festival, GMs will bring the festival inside the gates.
7. The Smart Clubs of the future will begin to harness behavioral data collected from member usage or monthly spend data to predict best fit member referrals.
8. The Smart Clubs of the future will capitalize on potential social experiences and harness location awareness to notify members when their friends are at the club or even in similar locations like a football game.

A man in a dark suit and tie is sitting at a desk, looking down at a laptop. The image is dimly lit and has a dark, moody atmosphere. The man's expression is thoughtful or serious. The background is out of focus, showing what appears to be a window or a wall with some architectural details.

CONCLUSION

Unanimously Smart GMs agree - changes in expectations are here, and near-term changes to club operations are critical. Yet as GMs navigate changing member expectations and continually adapt the way they deliver the club experience, they all share an optimism for what clublife can be.

Amid a world full of political conflict and economic stress, the club can remain the social safety net where people feel welcome, accepted and special. It can be a source of entertainment and pride as members share it's unique experience with guests. It can be the place outside the home where the family finds extra time through convenience and stays connected.

Now is an amazing time to contribute to the potential of the club, evolving it beyond a mere luxury into something much more valuable.



Smart Clubs *of the* World.

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