

# Business Intelligence: Changing the Future of Private Clubs

By Bill Boothe

Business Intelligence (BI) is a term getting a lot of play these days in the private club industry. Pundits are writing and speaking about it. Club managers are asking for it. Club software providers are promising it. But with all this attention being given to BI, a basic question still lingers in many minds: Exactly how can business intelligence help the typical club?

Thus far, the BI functionality offered has represented little more than ad hoc report writing and database queries. Such extractions of demographic, sales and activity data are readily available from a number of providers. That data can prove helpful in understanding sales operations and member behavior. However, the information obtained is focused primarily on the past, while the most valuable result of BI is to help predict the future.

Of course, current BI solutions do provide some amount of predictive value. Knowing which of your club's members have attended certain themed events can help predict future attendance

at similar events. Knowing food and beverage sales totals by member categories or age ranges can help predict future sales as the club's membership changes. Knowing who the top 50 spenders in the golf shop are can help predict...Uhhh...What does that predict again? And that's the trouble with today's BI solutions for private clubs: lots of data, not much predictive value.

All of this attention to BI – with only meager predictive results – has some club managers wondering whether BI is actually worth getting excited about. My mission in this article is to present a few examples of predictive BI that – if they were generally available to private clubs – would make a serious difference in long-term club management strategies throughout the industry.

## *Predicting Member Resignations*

It's no secret that over time, the industry's focus has moved away from attracting new members and toward retaining existing members. Predicting which individual members are most likely to resign would provide club managers with a golden opportunity to intervene in the disengagement process. The result could avoid a resignation altogether, or at a minimum, prolong the term of membership. How could such predictions be accomplished?

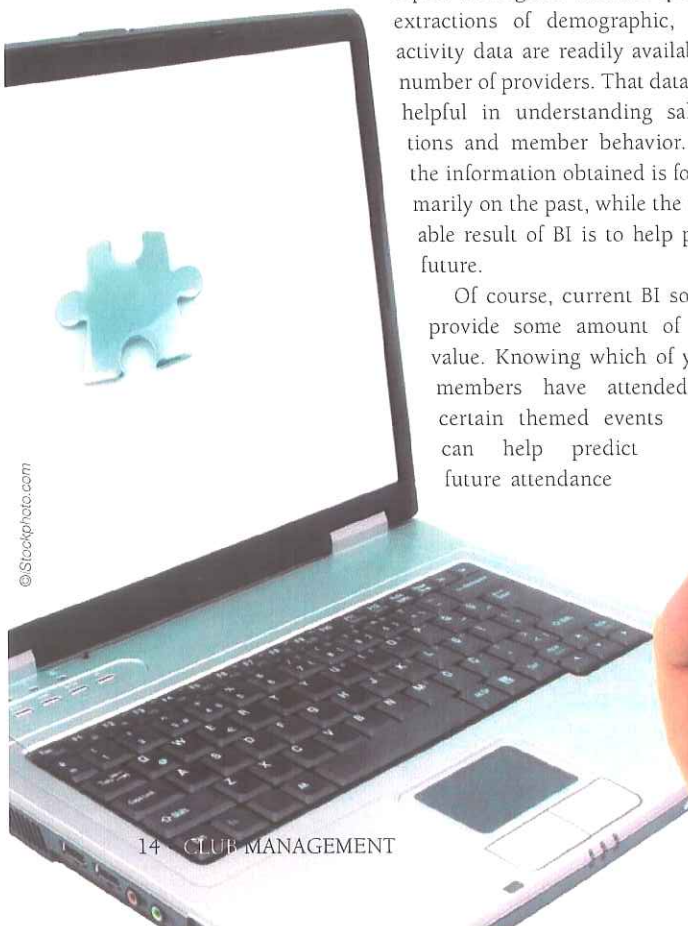
Behavioral predictions are old hat for advanced BI solutions. The process begins by developing a "behavioral profile"

that predicts the future behavior in question: in this case, a membership resignation.

The profile is based on the behaviors of the target group – resigned members.

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Consider a club that is experiencing a membership transition from older couples to younger families. That migration will challenge club management to predict what will be needed, and when, to accommodate the activity levels generated by the then-current membership.

BI technology is well-suited for marking those behavioral tendencies, identifying those same markers in members of the remaining population and assigning a level of likelihood that the marked individuals will follow the target behavior. For clubs, the behavioral markers for this example might include member spending and activity patterns, spouse and family usage patterns, purchase size and frequency patterns, demographic factors, such as member age and health, age of spouse and children, etc. BI already is working in other industries to predict similar behaviors with great success. It can work in the club industry as well.

#### *Predicting Future Dues Revenue*

Long-range planning is a mainstay of the private club industry. But what good is planning if the club's future revenue stream is based on guesswork? That's the concern of many club managers as they struggle to establish a long-term strategic plan that is supported by predictable future revenues. Fortunately, BI has been predicting revenues in other industries for more than a decade.

One important revenue-predictive design for private clubs is based on member age. Clubs with older memberships worry about the impact of age-related resignations. This predictive model would calculate the lost revenues for future years, based on the age progression of members during that time span. For clubs whose dues are based on age brackets, such an analysis would save countless hours of Excel spreadsheet work. For clubs with membership in transition (say older to younger members), the predictive model

would calculate the impact on dues of older members being replaced by younger members and would track the progression of individual members through age ranges and membership categories.

What makes this model even more valuable is the ability for clubs to create "what if" scenarios to determine impact on future dues revenue. What if the patterns of the past five years continue unchanged for the next five years? What if the percentage of younger new members increases and the average age of the membership decreases? What if the club creates a new "senior" membership and allows older members to step down rather than resign? What if? Of course, predictions of this sort also could be performed for joining, initiation and other recurring fees.

#### *Predicting Club Facilities Requirements*

Long-range planning isn't all that difficult for relatively stable clubs experiencing only minor changes in their membership profiles and activity levels. Dynamically changing clubs, on the other hand, face serious challenges in predicting future usage needs for dining, events, sports and other facilities. As a club's membership changes, so do the demands made by the members upon the club's infrastructure and facilities. For example, consider a club that is experiencing a membership transition from older couples to younger families. That migration will challenge club management to predict what will be needed, and when, to accommodate the activity levels generated by the then-current membership.

BI can be used to predict activity levels, which are analogous to facilities usage. Predicting the future number of covers, for instance, by dining style, day and meal period, will allow management to determine what type of dining facilities and capacities will be needed to accommodate future memberships. BI's "what if" functionality will allow clubs to base predictions on past trends or on an array of assumptions, some generated by the BI engine and others based on external industry predictions.

#### *Conclusion*

This article only highlights what predictive BI technology can mean for the club industry. Examples abound of BI results that could have a profound impact on long-range planning and decision making. Seeing into the future is every club manager's dream. But the point of predictive technologies is not just to see the future but to adjust current behaviors to effectively change the future. Alan Kay, the father of object-oriented programming, had it right when he said, "The best way to predict the future is to invent it."

Consider that concept the next time business intelligence is on your club's agenda. ■

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#### *About the author*

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