

## Equity Thinking and the Private Club Experience

### A. A Different Way of Seeing the Hospitality Experience

Private clubs represent a unique niche within the hospitality industry. Clubs have a different “hospitality paradigm” than hotels, restaurants, resorts, and cruise ships because they have a selection process, involve a long term and continuous relationship, require an admissions fee once selected and collect monthly dues from their members. The simple fact that those within the “consumer base” are considered “members” suggests that the relationship is different. Whereas a hotel room might be purchased for an evening, a club relationship would be purchased for decades. These characteristics suggest both a financial and psychological difference from other hospitality concerns. That difference is “equity thinking.”

The concept of “ownership” is financial, legal and psychological, with the psychological component being perhaps the most powerful. In other hospitality experiences, the “rental” or “lease” mentality predominates. Most hospitality experiences are therefore “commodity experiences” in which purchases are made, consumed and left once completed. Clubs offer “consumables” but don’t permit members to “leave” once the commodity has been consumed. Equity thinking amongst members has to do with the perception of ownership. The nature of the relationship, and the attitude toward the institution and its participants, far more than the legal condition, is paramount. Unlike simple commodities which can be exchanged for similar replacement commodities, clubs are about unique relationships with other members, the staff and the facility which, being intangible, are more difficult to replace. The way one treats “their house,” “their car” and “their friends” is far different than one would act toward “their hotel room,” “their rental car” and “their fellow elevator user.” In a club context, the way one acts or “treats” the members, staff and facility is considered “club sense” and those with highly developed “club sense” often have a highly developed sense of “equity relationships” as well. Furthermore, equity thinking implies a loyalty toward the owned item --- a commitment through both good times and bad to the relationship and to its continuous improvement--- whereas with “consumables thinking” one would simply walk away if the product is flawed or failing.

Equity thinking puts a premium on qualities that are considered “intangibles” such as tradition, loyalty, personal dignity, status, myth and symbolism. These “intangibles” create a special bond between members and their club, which transcend the commonly experienced material relationship in the “commodities based hospitality environment.” The very basis by which members evaluate the worth of the relationship changes once “equity thinking” enters the equation. By way of example, clubs that offer non-resident equity members an opportunity to sell their equity, become non-equity non-resident members paying half dues, often find that these members refuse to sell. The reason: the sale and subsequent half dues, though admittedly the “practical” thing to do, implies a changed and more distant relationship with the club. This distance is offensive to members having “equity psychology.”

Clubs try to develop equity thinking amongst their membership because doing so generates long term member commitment. Clubs whose members have a strongly developed sense of “equity/ownership thinking” will, regardless of usage patterns, continue to pay their dues each month. Dues, even more than operating revenues, are the financial underpinning of the ongoing club operation. Members evaluate their relationship with the club each month as they write out their dues check and those having an “equity relationship” with the club--- who see their personal relationship with the institution, members and staff as unique, ongoing and irreplaceable--- never hesitate making the payment. By way of example, older members who are bed ridden and unable to actually visit the club will often continue paying dues because their relationship to the club, and all the memories and emotions that that relationship may imply, is far more valuable than the “commodities relationship” that their usage patterns might imply.

## **B. Cultivating Equity Thinking**

If equity thinking is the foundation of a successful private club then the biggest challenge faced by management is to develop equity thinking within the membership and to dramatize to the “outside world” the depth to which equity thinking exists within that membership. There are many techniques used by club to do so. Clubs nurture the “equity mindset” by the selectivity of their admissions. Admissions fees, which are applicable in both a true equity club and in non-equity “for profit” clubs, promote the “equity mindset.” Charging a “premium admissions fee” enhances the perception of value and exclusivity. Monthly dues reaffirm a special “equity” relationship in much the same way as a mortgage payment dramatizes ownership of a house. The “equity mindset” is further enhanced when the member sells their membership and receives cash at the time of sale. Knowing that there is residual value, which is realized at the time of sale, dramatizes both the reality and the psychology. Bonding experiences may also be used to build a relationship--- something of a “group equity psychology”--- between club members and the club on the one hand and between various members and member groups on the other hand. Fourth of July “all member” celebrations, family Christmas events and the like effectively nurture the “this is our unique, very private and very special club experience which you and other outsiders can’t possibly have” way of thinking. Members, since they know other members within the club, are encouraged by the community to expand their circle of friends to embrace others within the larger community. Since they develop long term relationships with those people, they feel that they are part of a larger neighborhood. Because of that, they develop a vested interest in maintaining and preserving that neighborhood. These relationships are encouraged and enhanced through sports programs, committee participation, dining events and communal social activities. Members know, and are known by, the staffs who--- because they experience little turnover and because they are, as are the members, drawn to an “equity experience”--- develop both a service and a personal relationship with them. The practical results of “equity thinking” amongst the service staff--- lower turnover, greater enthusiasm on the job and a markedly higher level of service commitment--- contribute to an “equity mentality” amongst the membership as well.

Many people join a club for the goods and services, which are provided, but since other hospitality suppliers can also provide commodities, the private club needs to translate the new “mercenary” member into a “patriotic member.” Doing so requires that they satisfy the commodity needs of the member while promoting and nurturing “the intangibles.” Done correctly, an “equity relationship” is developed.

Proprietary clubs, which are owned by individuals or corporations and are run for a profit; larger clubs with a more diverse and dispersed membership experience; clubs within a changing demographic environment; and clubs which have a more transient membership base all have a more difficult, though by no means impossible, time creating an “equity mindset” within the membership. These clubs are appealing to the same needs within their membership though doing so requires applying a different set of techniques and procedures than would be needed in a smaller, more stable and inherently more “equity oriented” club environment.

## **C. Losing the Birthright: Dissipating Equity Thinking**

Equity thinking, though inherent in the club / member relationship, can be dissipated if the Board or management makes poor tactical or strategic decisions. The psychology of ownership is weakened as the “myth of exclusivity” evaporates. As more club “product” enters the marketplace, and as the pool of available *qualified* (that is, those individuals with previous private club experience) members shrinks, clubs tend to recruit from a larger and larger pool of potential candidates. Many of these people, for social, experiential or financial reasons, might never have been considered for membership in more exclusive times. As the struggling club appeals to this new group of “marginally acceptable candidates,” the myth of exclusivity evaporates and private club membership becomes less and less of a status symbol to those who are currently members and to those who are considering future membership. The “myth of exclusivity” can also be punctured when non-member events, and the function revenue they represent, become too frequent, too large or too intrusive into the member experience. Furthermore, if the private party participants are of a less “exclusive” nature than the members, the perception might exist

amongst the membership that their “home” has been violated by the unworthy and that their “ownership privileges” have been lessened. When this occurs, the “exclusive and personally owned” becomes a “commodity” that can be exchanged and bartered. The intangibles, for which one pays a premium in a private club, thereby become less significant. Equity thinking dissipates and loyalty is slowly reduced to a “mercenary” commodities based relationship.

One might wonder whether, with the arrival of the “leasing mindset,” that equity thinking is inconsistent with contemporary club thinking. The argument could probably be made by sociologists and evolutionary biologists that “equity thinking” is built into man’s genetic choreography and that clubs will always appeal to that deep-rooted psychological need. Whether it is or not is probably less important than knowing that such ownership patterns and their attendant loyalties can be amplified or dissipated within the private club environment.

**D. Without it “...You ain’t got nothin”**

Equity thinking exists in clubs and distinguishes them from other hospitality operations. The best clubs have a loyal membership base with well developed “equity thinking.” In order to pay a premium to join and to pay dues on a monthly basis, members need to feel that a special relationship exists between them and their club. Things can be done which amplify this ownership psychology just as decisions can be made, often for financial reasons, which inadvertently remove the “myth of exclusivity” and weaken the ownership relationship. Clubs whose members feel less and less emotional attachment to the institution, to the staff and to the larger member community--- and who replace that thinking with a “commodities mentality”--- tend to lose their “equity thinking birthright.” With that loss goes member loyalty. When this occurs, the club experience simply becomes another commodity within the larger “hospitality paradigm”