

# Incentives

BoardRoom Magazine July/ August 2013

"We need more members. It's as simple as that. Our costs are escalating and our rolls are declining. We're just not getting the new members we need."

"We need to get our members engaged and bringing in their friends. I suggest that we offer \$200 in Pro Shop credit to any member who sponsors a new member - let's give the seconder \$100."

The above scenario has been played out in hundreds of clubs across the country. The thought is that an incentive will induce members to do something that they have previously been uncomfortable with, and that's true, the *proper* incentive will do just that.

A club is a bit different; it's a business, but it's a community and the two have distinctly different incentive biases. For example, the above discussion was at a club where the initiation fee was \$80,000 and dues well over \$800 per month. Would \$200 incite anyone to promote a club to a friend in that high an income bracket? Are we possibly confusing a gift of \$200 with an incentive?

John is standing on his driveway watering a hedge of roses when his neighbor approaches. "John, I've got to move my couch, would you please give me a hand?" John, immediately recognizing the situation as one of neighborly help, turns off the hose and spends ten minutes helping his neighbor move the couch. That evening John finds a nice note and bottle of inexpensive wine at his front door. The neighbor has a moved couch and John feels good about his neighborly contribution.

John is standing on his driveway watering a hedge of roses when his neighbor approaches. "John, I've got to move my couch, I'll give you ten bucks if you give me a hand." John immediately puts this into the category of an exchange and does the calculations - I'm a \$450 per hour attorney standing in front of a multimillion dollar home and he's offering me \$10 for about twenty minutes of time. Really? And John respectfully suggests that he has a pressing engagement and will be unable to assist his neighbor.

By definition an incentive has to incite or have a tendency to incite action, and it is important that the incentive be appropriate. A financial incentive in a community setting is a difficult sell. An incentive for a community should center around the benefit to the community. Today's marketing firms are very wise in their use of incentives. The incentives used, while generally pertaining to dollar amounts, are really a vehicle for widened awareness that the community

needs to act in a manner to improve its member recruitment. The incentive is in the altruism of gaining membership to either save or improve the club. Nearly any incentive would be appropriate; the key is the fact that the club leaders have hired a firm to assist in what is now clearly an important issue - membership. The club might be just as well served by offering a simple tangible gift rather than an incentive, when the true incentive is the good will of community altruism. One general manager responded to questions about utilizing a marketing firm "It was the opening membership kickoff meeting, the speaker was so dynamic all the members were excited about the program, we could have given away a box of rocks and it would have worked. It was all about the speaker."

Although staff members are in the club business, sometimes direct incentives fall short.

Chris is the manager of a wonderful club with a solid membership, but there appears to be a silo effect taking place. Many members enjoy the club, but maintain small group relationships and rarely expand their circle of friends. Chris decides that an effort needs to be made to broaden the membership's interaction and enlists the help of the service staff. Chris offers each staff person an incentive of \$50 if they, as a team, can recruit 200 members to sign up for a monthly mixer. The first month sign up is about 110 and the mixer is held, but does not have the high level of excitement desired and no staff award is given. The next month Chris has a different idea. Chris calls the staff in for a meeting and challenges the team with the same offer, except this time Chris hands each of the staff people a \$50 bill, expresses faith in them and that this month they'll achieve their goal, but if they don't they'll need to return the money. Several are surprised and excited at having a \$50 bill in hand and assure Chris that they'll hit the mark, although one actually says that the bill is going into the safe, so it will be available for return at the end of the month. As the month progresses, the numbers are stalled around 150. On the Thursday before the Saturday event, Chris speaks to a couple of the staff "It looks like you're pretty close, but not going to make it. Do you want to return the \$50 to me in cash or shall I deduct it from your paycheck?" Chris could see the startled look of realization that they would actually lose that \$50, which, for the most part, had already been spent. A day later, the member tally for the mixer was 205.

Incentives incite action. Data has shown that the fear of loss is more of an incentive by a 2:1 margin over the possibility of gain.

Incentives are of tremendous value, but we must make certain that the incentive is framed to incentivize the target and is appropriate to the issue.

*MacDonald Niven, CCM is the general manager at Richmond Country Club in California and can be reached at (510) 231-2250 or via email: macniven09@gmail.com*