Club Ratios:
A Four-Year Trend Analysis

By Agnes DeFranco and Raymond S. Schmidgall

This article is based on research of the United States club industry conducted over the four-year period of 2003-2006. Twenty ratios were reported, covering the five general classes of financial ratios. The ratio results suggested that 2003 was a banner year for the club industry.

INTRODUCTION

Management and owners have long been attuned to looking at numbers and the bottom line, not only of their own clubs, but also of the competition and, of course, the entire industry. This is a hallmark of most successful business people. However, simply reviewing sales levels, profit margins, net income, and various cost levels provides only surface information. A more detailed and thorough examination of these numbers, through ratios, can provide a deeper understanding of a business's hidden effectiveness and weakness. Therefore, increasingly both the academic and business world are providing updates and benchmarking information to assist managers in their decision-making process (DeFranco & Schmidgall, 2007).

The club industry is a unique segment of the hospitality industry. Most clubs enjoy a non-profit status, and their clientele is very stable. Some exclusive clubs have a waiting list, and even the rich and famous have to stand in line to join. A club is a home away from home for its members to hold parties, have weddings, compete in a game of golf with friends, or work out by doing pilates and yoga. Although making a profit is not its main objective (most clubs are non-profit), earning net income to be placed in a reserve account earmarked for future renovation and improvement is always a prudent move. Therefore, any dashboard data—information that is simple to access, understand, and apply—will prove useful to managers in their daily decisions (Schmidgall & DeFranco, 2004b, 2005a,).

NEED FOR AND PURPOSE OF THE STUDY

Company financial information can be found in many publications. Industry comparison, though, is done through the Standard Industrial Classification, or SIC code. The SIC code is a four-digit code set by the U.S. government to classify the primary business of each establishment. Using the SIC code to collect, analyze, and disseminate data increases efficiency. Comparisons made by SIC are more meaningful.

The club industry belongs to SIC code 7997, Membership Sports and Recreation Club (www.osha.gov). An array of "clubs" is included in this designation: aviation, baseball (except professional and semiprofessional), beach, boating, bowling leagues or teams (except professional and semiprofessional), bridge, country, golf, gun, handball, and many others. Therefore, to provide more meaningful analyses, we need to single out the country clubs, golf clubs, yacht clubs, and city clubs (DeFranco, Countryman, & Venegas, 2004).

The club industry itself responded in 1996 with The Club Managers Association of America and the National Club Association's biennial publication *Club Operations and Financial Data Report*. In addition, consulting firms such as Pannell Kerr Foster (PKF) and McGladrey & Pullen, LLP, publish annual operating statistics (DeFranco & Schmidgall, 2007). However, all these publications focus on the operations in terms of revenues, expenses, sales, and memberships, thus the bottom line but not the balance sheet (Schmidgall & DeFranco, 2004b). By focusing on balance sheet information, especially items relating to figures on the income and cash flow statements, managers and owners can also answer questions such as how much cash or inventory a club has on hand, whether the club is using its assets effectively, and whether the level of debt is appropriate.

Therefore, the purpose of this study is to provide club owners, managers, and chief financial officers with a four-year, longitudinal study of a set of benchmarking ratios that focuses primarily on balance sheet data unavailable through other published sources. With the proper information, better-informed club executives can make better decisions for their clubs and membership.

LITERATURE REVIEW

Financial ratios can always be calculated. However, if they are not used for comparison to past periods, budgeted numbers, competitors, or the industry as a whole, they are just numbers in a computer. Therefore, clubs would greatly benefit from managers' developing a short list of dashboard information and periodically comparing financial results to benchmarks.

The Role of Benchmarking

Almost twenty years ago, when Camp studied Xerox's benchmarking process (1989), he identified five steps for benchmarking: planning, analyzing, integrating, acting, and maturing. One first needs to plan and decide what to measure, then collect and analyze the proper data. The third step is for the company to integrate the measurements into their own results and make needed enhancements for better performance. Finally, the maturity stage sets in.

In the hospitality industry, Withiam (1991) defined *benchmarking* as a point of reference or standard by which all others can compare themselves and begin to judge their own efforts. It is also important to note that when making comparisons, one needs to study both the product and the business practices of one's competitor (DeFranco, 2005). Just as the hotel industry's *STAR Report* always has a "comp set," it is crucial for the club business to find its proper competitive set.

Therefore, benchmarking is both external and internal. *External benchmarking* is comparing oneself to the industry, to the competition; *internal benchmarking* helps a club stay on the right track, comparing its performance to its budget.

Printed and Electronic Sources

Five major printed sources offer ratios information. *Advertising Ratios and Budgets,* published by Schonfeld & Associates, Inc., specializes in advertising to sales and also to gross margin ratios for almost 6,000 companies. The *Almanac of Business and Industrial Financial Ratios* offers 24 key financial ratios. Dun and Bradstreet publishes the *Industry Norms and Key Business Ratios* and arranges the data in the form of a balance sheet and income statement, with lower-, median-, and upper-quartile benchmarks. Further, it provides 14 key ratios. Robert Morris Associates' (RMA's) *Annual Statement Studies* reports financial data of 370 industries and classified companies in each industry by the size of assets. Finally, *Business Profitability Data* offers a slightly different version of reporting financial ratios that covers 294 types of small businesses. All five publications use the SIC code to help identify the various industries.

In addition to paper publications, there are also two good electronic sources: *MSN Money,* at http://moneycentral.msn.com/investor, and *Useful Business Statistics,* at http://www.BizStats.com. *MSN* has updated information and provides 5-year averages, while *BizStats* divides its reporting into three areas, namely financial ratios, balance sheet, and income statement. In addition, *BizStats* also provides a *BizMiner*, fully equipped with an SIC Drilldown whereby data can be accessed via SIC code.

The spa industry has enjoyed rapid growth in past decades. Many hotels, especially the luxury collection, have increased their spa offerings with tempting spa menus, while new ones have built spas and marketed them, not only to hotel guests but also the local community. Clubs have also expanded spa treatments to their members. To better account for the operating results, the International SPA Association Foundation, together with the International SPA

Association, Hospitality Financial and Technology Professionals, and the Educational Institute of the American Hotel & Lodging Association, published the *Uniform System of Financial Reporting for Spas* (2005). This publication includes a section on ratio analysis and statistics, again, to demonstrate the need for financial ratio analysis in all industries. In addition, PKF Hospitality Research also published its inaugural edition of *Trends in the Hotel Spa Industry*, while the International SPA Association also releases an annual *SPA Industry Study* (2008, Korpi). Again, all such publications are intended to help individual companies organize their financial results.

Trend Analysis

If we have benchmarking, why do we need trend analysis? *Trend analysis* represents calculations and data points over a specified period. The data points are then presented in tables and graphs to visually highlight the trends the company—in this case club--is experiencing (DeFranco & Lattin, 2007). Trend analysis adds the longitudinal dimension of looking at data that a regular periodic ratio analysis lacks. By looking at trends, we can forecast.

Trends are discussed in many financial forums. At the annual American Lodging Investment Summit (ALIS), leaders of the Industry Real Estate Financial Advisory Council discussed the "hot" real estate trends regarding capital availability, especially trends in luxury building (Ricca, 2007).

Investors debating the sustainability and feasibility of building new hotel rooms depend upon hotel supply-and-demand trend analysis. Pricewaterhouse Coopers (PwC), a leader in hospitality consulting, analyzes the trends of such activities. For example, in a 2008 report, PwC's Bjorn Hanson commented that the growth in U.S. hotel construction activity is still below the long-term trend. This observation was partly based on the hotel industry's average daily rate (ADR), noted in October 2007 at $103.70, below the long-term average rate as predicted by PwC. Hanson looked at hotel supply and rates in the last few years, taking into account the 2005 hurricane season and the 2008 surge in gasoline prices, to come up with various trends and forecasts. Thus trend analysis provides insight into how the hotel industry should make its investment decisions.

The club industry is no different. Schmidgall and Singh (2007) did a longitudinal trend analysis of the U.S. hotel industry's operating budget practices from 1986 to 2006 to see how club management has changed its operating budget practices. The authors found that clubs were preparing operating budgets to serve as a standard of comparison, with 48% of the clubs having a tentative financial goal prior to starting the budgeting process, and over 75% of the clubs focusing on the bottom line as a tentative financial goal. Once again, trend analysis does have its usefulness.

Classes of Financial Ratios

Schmidgall and Damitio (2001) classified financial ratios for clubs into five categories. Liquidity and solvency ratios measure the club's ability to pay off debts, with the former looking at short-term obligations and the latter, long-term. Activity ratios indicate the effectiveness of using assets; and profitability ratios measure how effective management is at generating financial returns. Finally, operating ratios give management the results of business operations. Weygandt, Kieso, Kimmel, and DeFranco (2005) also stressed the importance of ratios and appealed to managers to consider both the absolute dollars and the relative measurements and information that ratios can provide. While it is important to look at percentages, it is the real dollars that one deposits in the bank.

Since ratios are just one number divided into another, there are literally hundreds of ratios; however, as mentioned earlier, most hospitality financial analysts divide the ratios into five categories. The first category is *liquidity ratios*. These ratios reveal the ability of a club to meet its short-term obligations. Liquidity ratios include current ratio and average collection period. The

next category is *solvency ratios*. These ratios measure the extent to which a club has been financed by debt and is able to meet its long-term obligations. Solvency ratios include *debt-equity ratio* and *times-interest-earned ratio*. The third category is *activity ratios*, which reflect management's ability to use the club's assets. Activity ratios include property and equipment turnover, food inventory turnover, and beverage inventory turnover. The fourth category is *profitability ratios*, which show management's overall effectiveness as measured by returns on sales and investment. Profitability ratios include profit margin, return on assets, and return on equity. Last there are *operating ratios*. They focus on the operating results of a club, including revenues and expenses. Operating ratios include ratios such as food-cost percentage and labor-cost percentage.

The following segment expands the definitions and shares the formulas for the ratios. In the club business, *net income* is also known as "revenue in excess of expenses" or "increase in net assets."

Selected Club Industry Financial Ratios and Classifications	
Ratio	**Formula**
Liquidity Ratios	
1. Current ratio	Current assets/current liabilities
2. Accounts receivable turnover	Revenue/average accounts receivable
3. Average collection period	365/accounts receivable turnover
4. Operating cash flows to current liabilities ratios	Operating cash flows/average current liabilities
Solvency Ratios	
5. Operating cash flows to total liabilities ratio	Operating cash flows/average total liabilities
6. Long-term debt to total capitalization ratio	Long-term debt/long-term debt and net assets
7. Debt-equity ratio	Total liabilities/total net assets
8. Times interest earned ratio	Net income + interest expense/interest expense
9. Fixed charge coverage ratio	Net income + interest expense + lease expense/interest expense + lease expense
Activity Ratios	
10. Food inventory turnover	Cost of food used/average food inventory
11. Beverage inventory turnover	Cost of beverages used/average beverage inventory
12. Golf merchandise inventory turnover	Cost of golf merchandise sold/ average golf merchandise inventory
13. Property & equipment turnover	Total revenue/average net book value of property and equipment
14. Asset turnover	Total revenue/average total assets
Profitability Ratios	
15. Profit margin	Net income/total revenue
16. Return on assets	Net income/average total assets
17. Operating efficiency ratio	Income before fixed charges/total revenue

Operating Ratios	
18. Food cost percentage	Cost of food sold/food sales
19. Beverage cost percentage	Cost of beverages sold/beverage sales
20. Golf merchandise cost percentage	Cost of golf merchandise sold/ golf merchandise sales

Past Research

As mentioned, management and owners have always been attuned to looking at numbers and the bottom line; academicians and industry consultants have increased their interest in this topic. As early as the 1980s, Schmidgall (1988), Schmidgall and Geller (1984), and Temling (1985) conducted research and reported findings in this area. However, they concerned themselves mostly with the lodging industry. In the 1990s, not many academic research projects addressed ratios. One interesting project was Swanson's (1991), a detailed analysis of the liquidity of lodging firms. Singh and Schmidgall (2002) studied the use of financial ratios in the lodging industry and classified the results by hotel ownership. Because of the new ratios used in the lodging segment in the last few years, , e.g., gross operating profits per available room or customer (GOPPAR or GOPPAC) and total revenue per available room (TRevPAR), even trade publications advocated more use of ratios (Dickens, 2006, and Lindt, 2006). Dalbor and Upneja (2002) also extended the research into the restaurant segment by studying the factors affecting the long-term debt decision of restaurant corporations.

METHODOLOGY

For the past four years, club executives were requested to participate in a survey aimed at collecting certain key financial data, focusing primarily on balance sheet numbers. Specific ratios were calculated for managers who had a periodic dashboard of results. From 2003 to 2005, approximately 80 executives provided the numbers from their financial statements each year. In 2008 the survey picked up some momentum, and 102 responses were received. In 2003 and 2004, questionnaires were sent to members of Hospitality Financial and Technology Professionals (HFTP) associated with clubs. In 2005 questionnaires were sent to Club Managers Association of America (CMAA) members. Although more general managers completed the surveys, the total number of participants did not increase significantly. The demographic data regarding the types of clubs, number of members, and geographical locations of the clubs were also quite stable.

The 2006 questionnaire was mailed to HFTP members (financial executives) associated with clubs. The questionnaire requested financial data from two successive annual balance sheets and selected numbers from the club's income and cash-flow statements. Financial data points were used to calculate the ratios. This research uses the medians rather than the means as the data points for calculation. The twenty ratios shown in Table 2 were calculated, and a trend analysis was performed.

FINDINGS

Data collected from 2003 through 2005 were combined with those from 2006 to provide a trend analysis of key financial ratios in the club industry. Demographics of respondents are first discussed. Then the 2006 results of the liquidity, solvency, activity, profitability, and operating ratios are revealed. Finally, an analysis is presented of the trend of these five classifications of ratios from 2003 through 2006.

Profile of the Clubs

As mentioned previously, the 2005 survey was sent to CMAA members. Thus the distribution of the respondents' titles is different from those of the other three years, as shown in

Table 1. Generally, over 85% of the surveys were completed by controllers, as they have ready access to all financial data. Other respondents held titles of CFO, assistant controller, or general manager. It appears that all respondents were knowledgeable regarding their club's finances.

The types of clubs represented by the respondents in the initial survey (2003) were fairly evenly split between country clubs and golf clubs, 38% and 39%, respectively. In the last three years, however, country club respondents made up over 60% (63%, 65%, and 65%), while golf club and city club respondents ranged from 9% to 14%.

In terms of size, the mid-sized clubs had 300-500 members, and those with 501-750 members constituted the majority. The small clubs, with fewer than 300 members, reported at a steady rate of 5-6% each year, while the very large clubs (over 1,500 members) also reported at a steady rate of 8-10%. The 2005 profile, however, was a bit different in that the percentages were more evenly distributed than in the other three years.

Finally, the location of the respondents' clubs in the United States followed the same pattern as for the other three demographic data points. Clubs located in the eastern part of the United States led in all four years, with the 2005 results only one percentage point higher than the results of central region clubs. Respondents from western clubs constituted less than 20% over the four surveys (see Table 1).

Table 1

Demographics of Respondents

	2003	**2004**	**2005**	**2006**
Title of respondents:				
Controllers	85%	87%	51%	86%
CFO's	5	4	4	5
Assistant Controllers	2	4	3	2
General Managers	---	---	35	1
Other	8	5	7	6
Total	100%	100%	100%	100%
Types of clubs:				
Country Clubs	38%	63%	65%	65%
Golf Clubs	39	13	9	14
City Clubs	9	10	11	9
Other Clubs	14	14	15	12
Total	100%	100%	100%	100%
Number of Members:				
< 300	6%	5%	5%	5%
300-500	30	27	17	29
501-750	27	28	29	26
751-1,000	13	14	18	14
1,001-1,500	14	17	12	18
> 1,500	10	9	19	8
Total	100%	100%	100%	100%
Location of Clubs in US:				
East	58%	46%	43%	48%
Central	28	35	42	33
West	14	19	15	19
Total	100%	100%	100%	100%

Ratio Results

The annual ratio results over the four-year period are shown in Table 2. The results are the median response for each ratio.

Liquidity Ratios. The current ratio was the first liquidity ratio analyzed. This ratio compared current assets to current liabilities from a club's balance sheet. A current ratio of one (1) means that a club has the exact amount of current assets to cover and pay off its current debts. The four-year trend was upward, starting with a 1.42 result in 2003 and peaking at 1.53 in 2005. However, the trend slipped slightly to 1.48 in 2006.

The accounts receivable turnover and average collection period are two similar ratios: The accounts receivable turnover measured how many times in a year a club collected its receivables, while the average collection period was determined by dividing 365 (days in year) by the accounts receivable turnover. Therefore, as the turnover ratio increased, the average number of days needed to make the collection decreased. The accounts receivable turnover was 9.01 in 2003. It rose over the three years to 10.14 for 2005, and dropped down to 9.19 in 2006. This drove down the average collection period from 41 days in 2003 to 36 days in 2005. Of course, with a decrease in the accounts receivable turnover in 2006, the collection period rose to 40 days. A downward trend in collection is healthy, but the sooner the club can collect, the sooner it,can pay bills or invest the extra funds. After all, cash is king, even in the club industry.

The last liquidity ratio calculated for the club industry in this continuing research was operating cash flows to current liabilities. It resulted from dividing operating cash flows from the clubs' statements of cash flow by the average current liabilities of the club, as stated on the balance sheet. Some cite this as the best liquidity ratio because cash, rather than current assets, is used to pay a club's debts. During 2003, this ratio was .37, meaning the club had $.37 of cash flows from operations for each $1 of current debt. The results for this ratio increased to .41 for 2004 and settled back to .34 and .35 for 2005 and 2006, respectively.

Solvency Ratios. Solvency ratios are used to determine a club's ability to pay its bills in the long-run. Two very different approaches are used. Of the five ratios presented, the first three are predominantly based on the balance sheet, while the last two focus on the income statement.

The first solvency ratio divided operating cash flow (from the Statement of Cash Flow) by average long-term debt. This ratio was similar to the last liquidity ratio (operating cash flows to current liabilities) that was presented, as operating cash flows was used. In 2003, operating cash flows to long-term debt was only 0.06, meaning there were 6¢ of operating cash flows for each $1 of long-term debt. The situation improved in 2004 and 2005, at 0.13 and 0.18, respectively. For 2006, this ratio dropped to 0.13, the same as for 2004. Thus, the upward trend for this club industry ratio was down slightly in 2006.

Both the long-term-debt (LTD)-to-total-capitalization ratio and the debt-equity ratio considered debt and owners' equity from a club's balance sheet. As seen in Table 2, no clear trend was detected for either ratio; they hovered between 0.21 and 0.18 for the long-term debt-to-total- capitalization ratio, and 0.21 to 0.27 for the debt-equity ratio. The LTD-to-total capitalization of 0.18 to 0.21 means the LTD was between 18% and 21% of the combined LTD and owners' equity. The debt-equity ratio of 0.21 to 0.27 means total debt was 21% to 27% of members' equity from 2003 through 2006.

The two solvency ratios that are based on the income statement are times interest earned (TIE) and fixed charge coverage (FCC). TIE shows the number of times the club can pay its interest obligations based on its earnings before interest and taxes, while FCC includes lease expense in the calculation. The year 2004 was particularly good for clubs in that they were able to cover their interest payment 11 times over. In the previous year, the club was able to cover its interest only 2.59 times, and in 2005, even worse, at 1.52 times. For 2006, the industry showed

some strength, and this ratio rebounded back to the 3.99 level. The same trend can be said for FCC, which started at 1.89 times in 2003 and increased to 9.36, in 2004. It fell to 1.43 in 2005 and bounced back to 2.80 in 2006.

Most clubs in the industry are organized as not-for-profits and though most will generate more revenue than expenses incurred for a year, their major focus is on service to their members. Thus, the bottom line on their income statement, when compared to either total revenue or total assets, is generally considerably less than in other segments of the hospitality industry, such as restaurants and hotels, which are profit focused. Therefore, though these two ratios (TIE and FCC) may appear to be low when compared to ratios in other hospitality segments, they are likely impacted by the difference in focus of clubs in comparison to lodging and restaurant firms.

Activity Ratios. Five activity ratios were calculated to assess managements' use of club resources. The three inventory turnover ratios were also converted to holding periods (in days), which provided a more practical view of how long clubs were holding food, beverage, and golf merchandise inventories. The last two, property and equipment turnover, and total asset turnover, measured how much revenue was generated with these amounts of resources.

The food inventory turnover was 19.83 times in 2003. This meant that the average club had 18 days of food inventory on hand at the end of 2003. In 2004 the food inventory turnover was 21.57 times, with 17 days of food inventory on hand. In 2005 the food inventory turnover was 19.39 times, with 19 days of food inventory on hand. In 2006 the food inventory turnover was 19.13 times, with 19 days of food inventory on hand., The results for the beverage inventory were quite different from the results for food: It appears that the club industry is holding on to its inventory longer. The beverage inventory turnover was 4.19 times in 2003 and trended downward to 3.51 times in 2006. The average club held beverage inventory in 2003 for 87 days, and over two weeks longer, or 104 days, by the end of 2006. This relatively long holding period most likely resulted from holding multiple brands to satisfy members and holding wines for several years, allowing them to appreciate in value.

The golf merchandise inventory turnover and holding days was first computed in 2004. This turnover, as expected, had by far the lowest turnover; thus golf merchandise inventory was held the longest of the three types of inventory. The golf merchandise inventory turnover was 2.21 times in 2004, 2.01 in 2005, and 2.32 in 2006, making the holding periods 165 days in 2004, 182 days (one-half a year) in 2005, and 157 days in 2006.

In their study at the end of 2006, Schmidgall and Borchgrevink reported $38,155 as the average amount of club beverage inventory (2008). Further, wines constituted 52% of the average club's beverage inventory. In addition, the authors revealed that nearly one in six clubs intentionally buys wines for long-term purposes to realize financial appreciation and to benefit their members.

Like hotel companies that own the real estate they operate, the average club considers property and equipment a major portion of its assets. Further, the total assets of the average club are high compared to their total revenues. The next two ratios consider revenues and these club assets.

The property and equipment turnover slipped from 0.80 in 2003 to 0.79 in 2004, and increased to 0.84 in 2005. A slight upward trend was noted. However, this ratio result dipped in 2006 to 0.67. Of course, the trend for total asset turnover was similar, with a calculated ratio of 0.63 in 2003, 0.55 in 2004, 0.61 in 2005, and 0.53 in 2006. Thus, no real trend was noticed for this turnover ratio after four years of ratio results. It will be interesting to track these two ratios into the future to see whether a trend develops.

Profitability Ratios. The three profitability ratios presented in this research are profit margin, return on assets, and operating efficiency. The profit margin ratio was only 1.7% for 2003. It increased to 7.3% in 2004, declined to 1.8% in 2005, and took a nice upturn to 4.9% in 2006. Though not very high, it was still profitable. Most clubs are not-for-profit;, therefore, these percentages, though relatively low, are not really alarming. Thus, one can expect that return on assets (ROA) would also be very low. ROA was 0.3% and 0.1% for 2003 and 2005, respectively. The exceptions were 4.6% during 2004, and 3% for 2006. The operating efficiency ratios computed for the four-year period followed a similar pattern: This ratio started at 22.9% in 2003, reached 27.7% in 2004, and achieved 23% in 2006. The only exception was 17.9% in 2005. Clearly, these three profitability ratios suggested 2004 was the standout year for club profitability over this limited four-year period. Although profits saw a marked decrease in 2005, they rebounded in 2006.

Operating Ratios. The final category of ratios in this research was operating ratios. As a number of very reputable consulting firms do provide operating ratios, this research was limited to three categories: food cost, beverage cost, and golf merchandise cost percentages. When this research started in 2003, operating ratios were not included. However, response from the readership and club industry practitioners asked for these benchmarks. Therefore, beginning in 2004, these three ratios were included.

The food-cost percentage stayed the same, at 40% for both 2004 and 2005, and dropped slightly to 39.5% in 2006. On the beverage side, however, the percentage was the opposite, starting at the low level of 30% and then increasing and staying constant at 31.1% in 2005 and 2006. As for golf merchandise, the cost percentage showed considerable improvement from 58% in 2004 to 48.4% in 2005. However, this good news did not stay long, as it went up to 65.4% in 2006. By comparison, PKF, in its 2007 *North American Edition Clubs in Town & Country,* reported average food and beverage cost percentages for country clubs for the year of 2006 at 38% and 32%, respectively (2007).

Table 2

Club Financial Ratio Results For the Years of 2003-2006

	2003	2004	2005	2006
Liquidity Ratios				
Current ratio	1.42	1.57	1.53	1.48
Accounts receivable turnover	9.01	9.66	10.14	9.19
Average collection period	41 days	38 days	36 days	40 days
Operating cash flows to current liabilities	0.37	0.41	0.34	0.35
Solvency Ratios				
Operating cash flows to long-term debt	0.06	0.13	0.18	0.13
Long term debt to total capitalization	0.21	0.18	0.21	0.18
Debt-equity ratio	0.27	0.21	0.27	0.22
Times interest earned	2.59	11.0	1.52	3.99
Fixed charge coverage	1.89	9.36	1.43	2.80
Activity Ratios				
Food inventory turnover				
a. times	19.83	21.57	19.39	19.13
b. days	18 days	17 days	19 days	19 days
Beverage inventory turnover				
a. times	4.19	4.07	3.91	3.51
b. days	87 days	90 days	93 days	104 days
Golf merchandise inventory turnover				
a. times	NS	2.21	2.01	2.32
b. days	NS	165 days	182 days	157 days
Property & Equipment turnover	0.80	0.79	0.84	0.67
Total asset turnover	0.63	0.55	0.61	0.54
Profitability Ratios				
Profit margin	0.017	0.073	0.018	0.049
Return on assets	0.003	0.046	0.001	0.030
Operating efficiency	0.229	0.277	0.179	0.230
Operating Ratios				
Food cost percentage	NS	40.0%	40.0%	39.5%
Beverage cost percentage	NS	30.0%	31.1%	31.1%
Golf merchandise cost percentage	NS	58.0%	48.4%	65.4%

NS = Not surveyed in 2003

SUMMARY/CONCLUSION

This study has two sets of implications: one is practical for club industry professionals;the other is theoretical for academics. Oftentimes, academics are so involved in creating new knowledge and theories that they forget that they must also educate future hospitality managers. While structural equations and sophisticated modelings are essential elements of academe, there is also the need to serve the industry.

On the practical side, the club industry that hires our students can avail themselves of financial statements, which are great snapshots of the operating results of a business. However, the usefulness of such statements in their existing forms does not provide insights into the strengths and weaknesses of an operation. When the financial statements of a few years are put

side by side for comparison, the massive data overload can be overwhelming and can lead to erroneous conclusions. Ratio analysis and trend analysis fill this gap. Ratios are well-tested tools for club management to use in viewing their operations more succinctly. Ratios also help management focus on certain areas, such as liquidity or effective use of assets. They also help management understand the risk they may be undertaking. Trend analysis extends a simple ratio analysis over a period of time. While annual ratio analysis provides a quick and compact report card, adding trend analysis provides club management with a longer-term view of their operation and is therefore more useful in long-term assessment and future planning. Simply put, a four-year longitudinal study provides more solid data points for establishing benchmarks and trends.

As seen in this study, a four-year trend reveals a better picture than a one-year snapshot. It was obvious that of the four years examined here, 2004 was the club industry's banner year. The liquidity and solvency ratios appear to have been the best of this period. In terms of club activity ratios, there has not been much change in food, while golf merchandising management has improved and beverage management has slipped. This is supported by the cost percentage data, also with a fairly stable food cost and an increasing beverage cost. However, though golf merchandising inventory management has improved, its cost percentage has been up and down. Profitability ratios mirrored those of liquidity and solvency ratios, with 2004 being the best, and 2006 bringing in a rebound.

While this data provides information of the industry, clubs should also set up a simple spreadsheet to monitor some of these ratios periodically, whether monthly, quarterly, and/or annually. For example, operating ratios and profitability ratios should be done monthly or as often as a club prepares its statement of income. Other ratios that require balance-sheet data points may be computed when the balance sheet is prepared. A club's financial manager should consider plotting these data points on graphs and share the information with other managers and the board of directors.

After calculating and plotting the ratios, management may want to take the next step of analyzing and taking any needed anticipatory or corrective action. The only way clubs can serve their members better is to be responsible for the resources they are entrusted with daily--the clubs's assets. Providing first-rate member services and exceeding service expectations are pertinent. At the same time, making sure a healthier profit can be realized and reinvesting in the infrastructure of the club and its grounds are also of high importance. Although most clubs are not-for-profit, it is not good news for the members when they have to be assessed for any improvements or when dues have to be increased to cover rising expenses. Keeping an eye on these ratios can just be that ticket!

On the theory and research side, perhaps academics can look into new ratios that may provide the industry we serve with better and more specialized benchmarks. In the age of information overload, what are the top ten financial items that a club executive needs to have in his or her pocket periodically to assist him or her make the best financial decisions? What are the top five yardsticks that a club's director of finance needs to track so that he or she can detect problems months before they hurt a club, or spot new opportunity and reap benefits before other clubs are aware of the golden nuggets? In the l980s, the hotel industry used average daily rate as a benchmark. While this rate is still being calculated and reported religiously, the measurement of revenue per available room, which takes into account not simply the rate but also the occupancy at the same time, is now the norm. So, what will be the next new measurement of success for the club industry? Future research or theorization must be undertaken in this area.

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Agnes DeFranco is Professor, Conrad N. Hilton College of Hotel & Restaurant Management, University of Houston; **Raymond S. Schmidgall** is Hilton Hotels Professor, *The* School of Hospitality Business, Michigan State University.