



A Message from Ned

Marketing Limitations in a Private Club World

The difficult economy has increased marketing and advertising by many private clubs. Membership levels have decreased and many Clubs are stepping up marketing efforts as a way of attracting new members and outside functions. However, there are potential pitfalls that you should keep in mind.

All Clubs, tax exempt (501 (c) (7)) and taxable (IRC Section 277), need to understand that advertising may result in your Club being viewed as a public accommodation rather than a private club and a possible loss of your private club status. Tax exempt clubs also run the risk of losing their tax exempt status and the corresponding benefits.

I believe that advertising for new members is more risky than advertising for outside non-member functions. Clubs need to maintain an aura of membership exclusivity, subject to invitation and a vetting process, and advertising tends to diminish this. Advertising for functions is not desirable, but appears to have fewer drawbacks. After all, the IRS allows tax exempt clubs to have up to 15% of revenue from non-member sources, so it's reasonable to think that one would need to advertise to achieve this level.

If you have questions about your marketing efforts and any possible implications, I encourage you to reach out to me.

See you at the Club,

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Batchelor, Frechette, McCrory, Michael & Co.

MARKETING TIPS:

- Consider joining the Professional Club Marketing Association (PCMA) and attending their regional meetings and National Convention. Their education sessions, networking and enthusiasm are invaluable. (www.askpcma.org)
- Review all of your Club collateral material to ensure that membership is by invitation and subject to a vetting process.
- Establish procedures and ensure that your staff, Membership Committee and Board understand the importance of following them.
- Make every effort to increase member retention. Every member that leaves is one more member you need to attract to maintain membership levels.

Professional Club Marketing Association
MEMBERSHIP AND MARKETING PROFESSIONALS AT PRIVATE CLUBS



Ned McCrory (center) chats with Donna and Rick Coyne from PCMA at the recent annual conference in Las Vegas.



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Assess your Club Marketing efforts:

Return Service Requested

- **Is it apparent that Club membership is not automatic and that the potential candidate must fill out an application, be sponsored and seconded by current members, and be subject to a vetting process by the membership?** All these components are important in maintaining the exclusivity required to protect your private club status.
- **Are your marketing efforts for non-member functions so successful that you are in excess of the 15% test?** Remember, that this is calculated on the total revenue (less initiation fees) of the Club. If you are pushing the upper limits of this test and need to curtail your outside functions, select the non-member events that provide the Club with the biggest bottom line impact. My experience has been that golf outings provide a bigger profit than banquets, so keep this in mind when making decisions in this area.
- **Have your efforts to increase revenue for your Club been in the area of “Non-traditional income”?** This would include any area that doesn’t coincide with the reasons for your tax exempt status. Examples would be takeout food, Thanksgiving turkey dinners to go, sales of cases of wine, or sales of fuel at a yacht club marina. Non-traditional income is troublesome for a tax exempt club because not only is it considered non-member income and subject to the 15% test, but it is also subject to a more stringent test by virtue of being in the non-traditional realm. Any amount in excess of a de minimis level would be troublesome in the view of the IRS.