

Club Technology Myths

by

Michael L. Kasavana, Ph.D., CHTP
NAMA Professor in Hospitality Business
Michigan State University

As club technology continues to evolve, numerous myths associated with effective component selection, implementation and operation are becoming popular. Some myths are the result of early, ill-conceived applications; unqualified vendors seeking to make easy money at the club's expense perpetuated others. But many have arisen from a failure by club management to participate in the technology process. After all, most club managers are content to delegate automation decisions to the controller, accounting manager, or member services director. Based on two decades of field study, six common club technology myths are exposed and the truth behind each is clarified. In addition, a comment about "best practice" is mentioned and a long-standing computer adage is added to counter each club technology myth.

Myth One. Procure Hardware Before Application Software

Assumption: Securing the hardware components of a system as a first step will assist the club by simplifying architectural, electrical, network, and related installation expenditures thereby enabling more precise project cost estimations. Securing system hardware first also helps generate staff excitement and contributes to member interest.

Truth: Procuring system hardware before application software is a sure fire path to disaster! It is difficult to search for preferred software after system components have been specified. In fact, club managers tend to complain more about seeking compatible software for installed hardware, than nearly any other club technology problem. Inevitably questions will surface relative to hardware support and/or operating system compatibility with application software. Club management must exercise care in this area and **always** shop for software first; hardware second! This situation is likely to arise when searching for a new club system, but more often than not is encountered when management personnel change and the new staff desires to update club software without having to replace existing hardware. Such a search is similar to trying to locate 8-track tapes or long playing records when the club's stereo equipment consists of an 8-track tape player and a turntable. Since modern recordings are packaged onto CDs, the club's search for legacy formats will be a difficult, if not impossible, task. The same will be true when trying to run a Windows NT application on an antiquated PC platform.

Possible Scenario → Assume management is reviewing several hardware vendor advertisements and determines that a Mac PC possesses numerous desirable data processing features and is available in a color that fits well with the club house's color scheme. Once the club purchases the Mac PC hardware, next it will have to begin searching for application software. This is when problems are likely to be encountered. After all, there are probably few, if any, club software modules that run on a Mac PC.

Best Practice: Best practice dictates identifying application software first and compatible hardware second. As mentioned, similar situation may arise when management strives to replace the currently installed club software system only to discover that later versions of the software are not compatible with the old hardware platform. At this point management has to consider the replacement of installed hardware. Such a search can be pain-staking and non-productive.

Technology Adage. An old adage states: "without quality software, the hardware makes a great...plant stand".

Myth Two. Rely on Low-Cost Criteria for System Selection

Assumption: Club system vendor representatives are compensated on a paid commission-basis and therefore will seek to oversell system components and features that may not be necessary. The belief being that in an effort to increase their own earnings, vendor salespersons are highly likely to propose more hardware components, software modules, and peripheral devices than the club really needs. After all, the more components sold, the higher the commissions earned.

Truth: More often than not, club technology tends to be undersold, not oversold. When a system is undersold (i.e. fewer than necessary components, programs, or services are included) its bidding price will be comparatively lower and hence the vendor may enjoy a competitive advantage when club management reviews system price quotes. While on the surface this may not appear to be a smart approach to system design, consider that once a system is installed, it is more logical to add-on to it than to remove the system. In other words, a low-bidding vendor is confident once the club selects and installs the undersold system it is not likely to displace the system when it eventually becomes obvious additional wares are appropriate. A club that selects a system primarily based on low-cost criteria may award the bid to a vendor that derived a fabricated cost based on an inadequate system design. While this can happen by accident, often club management fails to connect the initial system bidding process with the subsequent purchase of additional

products necessary to render the system capable of fulfilling desired outcomes. Club management must exercise caution in this area.

Possible Scenario → Assume the club currently has eight point-of-sale terminals disbursed throughout the main dining room. Each of the eight devices is attached to the installed DOS-based POS system. When seeking a POS upgrade management becomes aware that the club must migrate to a Windows NT platform. To help select its new POS system, club management invites candidate POS vendors to bid on a replacement system. One keen vendor representative however discusses the operational aspects of the club with food service department personnel and convinces management that with a re-configured system, the club can be equally efficient with only six POS terminals. Management believes that new system efficiencies will provide a faster order entry interface with enhanced controls and accepts the vendor's proposal. In comparing POS system bids, management will note that the bid based on a six terminal configuration will be significantly lower than those of competing bidders. Assuming all other competitor bids were based on an eight terminal design, the six terminal bid will appear favorable and likely be selected for implementation. Following installation however, management will become dissatisfied and contact the vendor and explain frustration with the slimmed down reconfigured POS system. The vendor representative, without hesitation agrees with management's assessment and proposes adding two additional POS terminals, thereby increasing the total to eight. Without thinking about earlier negotiations, the club is likely to have the installed system vendor add two more terminals. Upon later reflection, management may realize that as a result of purchasing these additional terminals (likely gotten at a higher unit cost as individual purchases) the cost of the installed system may now exceed the other original competitor bids. Given that management made its vendor selection based on low-cost criteria, the successful vendor was able to appear cheaper for the selection process, but in reality proved more costly after requisite capabilities were completed. Could this happen at your club?

Best Practice: Best practice dictates using a request for proposal (RFP) approach to the technology marketplace. An RFP requires that the club describe its operational processes, automation needs, and various parameters (number of members, transactions, employees, workstation locations, etc.) so that a qualified vendor can propose a solution to the club's information technology requirements. Through development of the RFP document the club typically performs a self-assessment aimed at communicating comprehensive knowledge of club operations. Through the RFP document, vendors are given specific instructions of response to guarantee that required functions are properly addressed and that costs of each are itemized. Club managers need to be familiar with the RFP process and inform candidate vendors that responses will be connected to an

eventual system contract. In other words, whatever stipulations the vendor includes in response to the RFP, those stipulations will become part of the club's system contract. This procedure encourages vendor representatives to propose realistic, functional system designs while discouraging artificial underselling.

Technology Adage: An old adage states: "it is better to expand an installed system than to remove the system and begin anew".

Myth Three. Trust The Vendor to Manage the Purchase Process

Assumption: since club system vendors are more experienced with technology than the average club manager, it is best to select a vendor that can help guide the purchase process; the vendor will be expected to keep management informed as the process progresses and to develop a sound implementation plan.

Truth: Management needs to actively participate and control the purchase process. If the process is not controlled, then it should be considered out of control. While vendors can be excellent partners in technology implementation, the goals of the club and system provider tend to be different. When management delegates and/or loses control, many wasted hours and unnatural delays in system installation, training, and testing are likely to occur. Such results often arise out of confusion and distraction. One effective technique for controlling the purchase process from the beginning is to adopt a 'scripted demo' approach. The basic concept of scripted demos is for management to provide candidate vendors with a set of specific transactions the potential application (or system) must be used to resolve during vendor demonstration. As the controlled vendor demonstration progresses, the club's management directs the vendor to illustrate the application's handling of the specified transactions. This technique forces the vendor to focus on features that are important to the club, as opposed to the features important to the vendor. Since most technology product presentation sessions tend to become an unfocused collection of neat system tricks that bolster the vendor's confidence, they also tend to frustrate the potential purchaser. As the scripted demo session progresses, it is advisable that management suggest alternative transactions to those previously scripted. By changing the prescribed scenarios on-the-fly, management can keep the vendor actively involved while ensuring the demonstration has not merely become a preprogrammed simulation of the desired scenarios without actually developing them in a "live" state. Successful vendors will be informed they will be invited back for a follow-up demonstration in which they can show any product or system feature not revealed during the scripted session. Scripting transactions that are typical for the club enables management to better determine which product

or system can be fitted to club operations as opposed to having to modify club operations to fit a vendor system.

Possible Scenario → Assume the club is contemplating the procurement of a new POS system and identifies four candidate products. Each product vendor is then contacted and informed of management's interest in the company's POS product. Management provides each vendor a copy of its main dining room menu and instructs the vendor to program the menu into the candidate POS system for an upcoming product demonstration session. In addition, management formulates (scripts) a dozen scenarios that typify POS transactions at the club (e.g. separate checks, split tenders, multiple settlement options, daily specials, gift certificates, etc.) and sends the scripts to the vendors. Each vendor is advised they will have 90 minutes to present their system's handling of the dozen scripted transactions. It is important to note that management also informs the vendors that it reserves the right to change scenarios on-the-fly during the session. When each vendor arrives to demonstrate the POS system's capabilities relative to the scripted transactions, the club's management will be in firm control of the purchase process. Those POS systems that best handle the scripted scenarios best are identified as finalist candidates and invited back for an unscripted demonstration session. The implementation of a scripted and unscripted session has proven highly reliable and advantageous.

Best Practice: Best practice dictates using a scripted demo approach. During vendor product demonstrations, management must direct and control the sessions. Important points include: a) require the vendor to use hardware components, application software, and peripheral devices referenced in the proposed system configuration during the product presentation; b) emphasize to the vendor that the transaction scenarios are to be demonstrated one at a time, in a prescribed sequence (i.e. scenarios should not be modified or re-arranged or re-organized in any manner); c) advise the vendor that each vendor representative should be technically and operationally competent as scenarios will likely be changed on-the-fly during the demonstration session; d) encourage each vendor to perform a site survey prior to product presentation to ensure familiarity with club operations since too often vendors tend to perceive club users as homogeneous and thereby fail to properly differentiate product presentation; and e) inform vendors that finalists who successfully pass the scripted demonstration stage will be invited back for a second product discussion in which the vendor may demonstrate any additional system features which the scenarios failed to illustrate. A second visit ensures the vendor a more serious and interested audience while providing an opportunity to establish product differentiation among competitors.

Technology Adage: An old adage states: “if you do not control the purchase process, it will control you”. Enough said!

Myth Four. Whatever Features are Promised Will Be Delivered

Assumption: When an important club system feature is discussed with a vendor representative, that feature will be included in the hardware functionality or application software modules and be readily available for use with promised capabilities. Systems capabilities typically function as described during sales presentation sessions.

Truth: Often some system features that are important to club management (deal makers/deal breakers) somehow do not end up in the acquired product or system. The techno-term for this situation is vaporware. Vaporware is used to explain the seeming disappearance of promised functionality. It appears to just have evaporated from the system toolbox.

Possible Scenario → Assume that club management seeks frequent diner software as part of its newly purchased point-of-sale system. During the purchase process, the POS system representative described the system’s frequent diner software as one of its main competitive advantages: an advantage that swayed management in its system selection. Believing that frequent diner software was bundled with the POS system, management selected the POS system. Before, during, and after POS installation, management sought to learn more about the inherent frequent diner software. Documentation was reviewed, installed club users were contacted, and online support technicians were consulted. All of which led management to conclude that the desired capability was missing from the implemented POS system. Despite the fact the system decision hinged on this application software, it became apparent that the frequent diner software did not exist. Since the club’s management did not require the vendor representative specify in writing that the frequent diner software (as discussed) was included in the system contract, the club likely would have minimal recourse. Although at one time management considered frequent diner software as a deal maker, the installed POS system is not likely to be removed; and management will have to adjust to the software lapse. The recently trained servers will continue to operate as usual with the sole loss being to management. Care must be taken to require that all desired applications be reduced to writing and included in the application software section of the RFP and eventual system contract. One technique that is helpful is to have three response columns listed alongside each desired system feature as part of the RFP survey document.

The RFP should be of a form that requires candidate vendors to indicate if the application software is available NOW as the club described, available in SIX MONTHS, or NOT AVAILABLE for at least the next six

months. The use of this analysis renders all RFP responses on a comparative basis while placing a contractual constraint on the successful vendor.

Best Practice: Best practice dictates using a request for proposal (RFP) that forces the vendor to respond to capabilities within deliverable timeframes. The use of the three reply columns (now, 6-months, and no guarantee) for vendor response for each proposed application software, is very important.

Technology Adage: An old adage states: “vaporware is the number one selling system product”. Since vendor representatives tend to promise system capabilities before the engineering department has perfected them, club management is wise to force the vendor to qualify an RFP response to a time certain.

Myth Five. Being an Early Adopter Is Advantageous

Assumption: Installing a new product or application can provide cost savings and productivity enhancements and therefore it is best to be among the first clubs to install the product or application. From a competitive advantage perspective, first appears to be best!

Truth: There are three standard technology rules of thumb: a) never be the first user of any product or application software; b) never be the largest user of any product or application, and c) never be the last user of any product or application. For early adopters there simply is no benchmark upon which to judge an application’s capabilities. In addition, as the club’s management struggles to effectively direct the club, an unproven application can pose challenges that become dysfunctional to operations. The reason clubs need to be hesitant when considering becoming the largest system user is due to the fact the club will constantly be testing system boundaries, file sizing, and other parameters of the system. Stretching such capacities can be harmful to the club’s data processing should such limits be reached or exceeded and the system cease to function correctly. It is best to identify an installed system at a club of similar membership size, staff size, and transaction volume than to be the biggest system user. Similarly, when a club becomes the last user of a system this implies that the vendor has left the industry and therefore the club’s support network and future development base may be significantly weakened.

Possible Scenario → Assume the club learns of an innovative wireless POS system and decides to purchase the system. From the beginning cost estimates will be unreliable since this is the first installation of the system.

Architectural decisions, network constraints, communication linkages, and related issues may well be ongoing as the vendor strives to install a unique system in a precarious environment. Once installed, operational problems, system glitches, and the like may be experienced without explanation.

Best Practice: Best practice dictates avoiding being the first, largest, or last product or system user. The club is wise to request a list of installed club users and comparative measurements of its membership, staff, and transaction volumes. Based on such a comparative analysis, an intelligent decision can be made.

Technology Adage: An old adage states: “Never be the first user of any product, application, or system!”

Myth Six. Proprietary Systems Are Desirable

Assumption: When seeking a complete system, several facets of negotiation, contracting, support services, and future developments are minimized when the system supplier is the sole source for hardware, software, firmware, and peripheral devices. Dealing with a single vendor is more advantageous from a system compatibility perspective.

Truth: Clubs should consider avoiding proprietary systems as they manifest unnatural dependencies between the club’s management and the system vendor. By definition, a proprietary system is one that is constructed based on private parameters, protocols, and peripherals. Simply stated the technical specifications of system components and core applications are not divulged. Basically a proprietary system is the opposite of an open system. With a proprietary system, the club is obligated to deal with a specific vendor, regardless of how strained the relationship. With a proprietary system, the club is provided a very limited set of feasible alternatives. An open system, on the other hand, enables the club to shop for hardware and software components from different vendors and still develop a compatible, workable solution. The concept of best of breed technology is not usual achieved through selection of a proprietary system. An open system is the preferred method of operation.

Possible Scenario → Assume the club purchases a proprietary POS system without knowing the difference. It will not be long before the club seeks additional supplies, hardware, and/or software. When searching for such products, the club will quickly learn that there is only one source of supply; the initial vendor. What the club should prefer is an open architecture system in which all hardware is plug compatible (equivalent to the PC ‘plug and play’ concept) and software can be quickly integrated.

While club industry-wide standards do not yet exist for such compatibility or integration, there are many vendors offering open system architecture in all aspects of club automation.

Best Practice: Best practice dictates selecting a non-proprietary system. Open system architecture solves many system problems and provides club management with an array of component, software, and peripheral options. How can the club determine if the vendor is promoting a proprietary application or system? One way is to inquire as to whether the software can be purchased independent of the hardware. A “yes” response means the product is non-proprietary and a better choice as the hardware can be gotten from various sources thereby not tying the club to a single source. Plug and play is the ultimate goal of non-proprietary systems. In addition, a best of breed application means that the club selects the best modules and features from among various vendor systems in an attempt to construct a highly reliable and robust system design. For example, installing a club accounting system from one vendor, a POS system from another, a tee time scheduling package from another, and so on. Best of breed is aimed at enabling the club to select and install the most appropriate hardware and software for each individual application area, regardless of source.

Technology Adage: An old adage states: “when you select a proprietary system, you become artificially dependent on the vendor to the point where the vendor grabs you by the database”.

In summary, club management must exercise sound judgment when seeking to identify, procure, install, and operate club technology solutions.

Kasavana's Club Technology Myths

MYTH #1: Never Purchase Hardware Before Software - unless the hardware (and maintenance) are free ; instead select software first, then hardware!! This approach will maximize system effectiveness.

MYTH #2: Never Decide Based Upon a Low -Cost Criteria Alone - often economic factors are given disproportionate weight in the decision process. System designs and components are not usually directly comparable .

MYTH #3: Never Lose Control of the Purchase Process - a process that isn't under control could have disastrous results. Develop and implement RFPs, scripted demos and uniform proposal evaluation principles.

MYTH #4: Never Rely on Enhancement Promises - a system feature that is non-existent at the point of purchase typically is not available within the next 6-12 months. Don't be fooled by vaporware -- capabilities that disappear between purchase and delivery dates .

MYTH #5: Never Be The First System User - innovative solutions do not have an operational history and are difficult to evaluate . Remember: your business is your focus -- not computer technology development.

MYTH #6: Never Select a Proprietary System - avoid selecting a non-standard system or platform; proprietary systems can result in abnormal vendor dependence, limited enhancements and expansion frustration.

Benchmarking Club Technology

by

Michael L. Kasavana, Ph.D., CHTP
NAMA Professor in Club Business
the School of Hospitality Business
Michigan State University

For every implementation there are a host of complicated schemes designed to evaluate the success of installed application software. What is the return on investment? Do the benefits outweigh the costs? Is the application buffered from the membership? Club managers considering adoption of such metrics usually are confused and dismayed by the breadth and depth required to perform a formal post-implementation review. Managers usually are challenged to conduct a system audit, develop a process review, or perform a workflow analysis. Many ask: “Isn’t there an easier way?” Well, the answer is yes!

The inherent problems associated with technology implementation reviews revolve around the fact that the candidate application may have missed its intended target in the first place. More sensible than a complex formulation is a straightforward set of test criteria that can be applied either pre- or post-implementation. Three common sense benchmarks to measure the appropriateness of technology applications in the club environment are: a) competitive advantage, b) productivity improvement, and c) profitability enhancement. In other words, management needs to focus on responding to three simple questions: Will implementation of the application provide the club a competitive advantage? Will it improve club staff productivity? Will it enhance club profitability?

While not all clubs will respond similarly, a simplistic benchmarking analysis can generate a sufficient basis for evaluating application success. In addition, this three dimensional approach avoids the pitfalls so often accompanying complex analyses.

Competitive Advantage

Can technology produce a competitive advantage in the club industry? The answer is a resounding yes! Consider a club website offering member self-reservations for dining room space; or a point-of-sale system with frequent diner software, or creation of a club cybercafe. Each application produces an outcome unparalleled by non-automated or semi-automated approaches and therefore a competitive advantage can be created.

The goal of competitive advantage is to cultivate member loyalty while increasing purchase frequency. Technology can help change the impact of competitive advantage so that the short list of items that once were perceived as the only differentiators in the club industry (i.e. pricing or quality) are being supplemented by innovative outcomes of the digital era (e.g. brand image, personalized services, and product customization).

Competitive advantage is typically established through one of four dimensions. The most obvious is **product differentiation**. Product differentiation is the art of applying technology to produce a product that is unique (e.g. coffee vending machine for early morning). Differentiation of a product can also be gained through customization of product features or unique capabilities. Product differentiation is intended to create value and enable the supplier to effectively satisfy or exceed member needs and expectations.

A second means for establishing competitive advantage is to use technology to generate **unparalleled service** (e.g. MRM -- member relationship management). MRM is built on the proposition that knowledge of the member is valuable to loyalty and revenue enrichment programs. MRM requires capturing interactions and analyzing past member behavior to predict or direct future behavior. For example, using data mining to learn which wine is frequently ordered with a specific entrée. Then, using that information for product bundling and pricing to increase member satisfaction. Just as unique product features can serve as a point of differentiation, member service is also effective (e.g. exceptional services of Ritz Carlton Hotels and Nobu Restaurants). The development of personalized products and services is reshaping the club industry.

A third form of competitive advantage arises when a product can be produced at a **lower cost**. When technology is applied so that costs are reduced, margins are higher and selling prices may fall. A cost advantage is established when a substitutable product cannot be produced for the same low cost and therefore the seller gains a pricing advantage. Lower costs usually create a natural means to gain competitive advantage. Cost reductions are more specifically addressed in the areas of productivity and profitability.

A fourth technique for establishing competitive advantage through technology is **market segmentation**. By employing technology to target specific market segments, a club business is able to expand its reach while exceeding member expectations. Most club firms have moved into the member service phase of competitive advantage, and are heading toward market segmentation, realized differentiation on price and quality alone may be insufficient. Market segmentation involves product branding, which can help establish competitive advantage.

It is important to note that once a market leader establishes a competitive advantage the rest of the market will move quickly to catch up. It is for this reason that it is difficult to create a sustainable competitive advantage in the marketplace. This may well help strengthen the case for technology's role in establishing marketplace advantages.

Productivity Improvement

The second benchmark that can be used to test the effectiveness of club technology is productivity improvement. There are two aspects of productivity evaluation: **data processing** and **workflow processing**. From a data processing perspective there are three categories of metrics. The first is minimization of the time it takes to transform data from input (raw facts) to output (information). When the time of the traditional data processing cycle (I→P →O) is minimized, the firm is operating in a more efficient manner and technology should be credited for having made a positive difference. For example, the processing time required for aggregating one month's data under a legacy application, compared to processing the identical sample through the new

application, will reflect the efficiencies of the newer application. If there is a gain, then improved productivity has been demonstrated.

Second, the optimization of data handling procedures must also be evaluated to determine improvement. The goal being to reduce the number of times the same piece of data must be handled. For example, taking a member's dinner order tableside using a handheld device will lead to singular data capture for subsequent processing. This is illustrative of a significant gain that arises from data capture, thereby omitting the need for additional data entry, subsequent data handling, or data re-handling procedures. Recognizing that each time data is processed there is a chance of transposition or omission errors, an effective application will minimize data handling procedures.

A third related category for data processing is streamlining output. By modifying reports so that only the most relevant statistical and analytical information is produced, surely can render an application more productive. Report content needs to be in an efficient format to enable more effective managerial decision-making.

From a workflow perspective, normal measurable outputs for productivity are the number of transactions per hour, process integration, resource scheduling, and inventory control. These remain important evaluative tools when determining an application's impact on productivity. If the adoption of an application allows staff to be more efficient, then this is a positive benchmark. One perspective is to analyze the workplace pre- and post-implementation to determine measurable and auditable outcomes that may not appear obvious. For example, don't forget to investigate gains in expanded member services, rapid access techniques, and data mining tools.

Profitability Enhancement

Evaluating the impact technology has on bottom line profitability may be the most difficult of the three benchmarks to determine. Direct and/or indirect impacts on **revenues and expenses** may be quite complex. Nonetheless, this benchmark is critical for firms mindful of a return on investment. The main question being: Will the business benefit financially by adding the candidate application? Will there be net profit? Will revenues exceed expenses? Stated simply, this benchmark is designed to measure whether the benefits of an application outweigh its costs. If this is the case, then the application is a profit enhancement.

POS Example

Implementation of a point of sale (POS) system can impact all three benchmark standards. First, a competitive advantage can be gained from several perspectives. Frequent diners can use account numbers for settlement and reward tracking, gift certificates can be logged or applied at the POS, and menu item modifiers may be used to enable members to build entrees to order with custom recipes stored under unique PLU identifiers. Each of these technology applications can help differentiate an operation from its competitors.

From a productivity perspective, a club POS system with remote kitchen displays will help minimize kitchen traffic, provide production staff with legible accurate orders, monitor tip pooling, and enable members to receive more attentive dining room service.

Together these factors can lead to enhanced revenues and a positive measurement of installed technology.

Summary

Technology can provide a club firm a competitive advantage through product differentiation, unique service, cost reduction, and informed market segmentation. In addition, productivity may be improved through gains in both data processing and workflow processing procedures. Intelligent club applications should also be evaluated relative to enhanced profitability. Using these three simple evaluation criteria provides a quick and easy scheme for the evaluation of technology in the club industry.