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Software Subscription Plans *Too Good to be True?*



A HEFTY AMOUNT OF CASH. THAT'S WHAT HAS BEEN REQUIRED OVER THE YEARS TO PURCHASE NEW CLUB MANAGEMENT SOFTWARE.

Upfront dollars for the software license, data transfer from the legacy system and user training - plus a sizeable annual payment for software maintenance and support. Coming up with the cash has kept a large portion of the private club industry from seriously considering a move from their older software to something new. Until recently.

All of the major club software providers are now offering a subscription plan of one sort or another. The most popular pitch is to offer a software and services bundle for the same

or less cost than what the club is paying its current provider for annual support. Such a bundle promises to replace the club's current software without having to tap capital budget dollars.

In essence, it's a simple swap – new software and support, along with the services needed to get up and running – in exchange for the club's current spending outlay for the legacy system.

TOO GOOD TO BE TRUE?

Actually, in many cases, this is a really good deal for the club. That's because many clubs are paying through the nose for their current maintenance and support – and receiving little value for their trouble.

Clubs that have lived through six, eight, 10 or more years of annual support fee increases could now be paying 50-100 percent more in support fees than they would with a newly purchased system. And that spread is what allows companies vying for new business to offer such competitive subscription plans.

It takes the companies longer to capture their full revenue, but in the end, they collect about the same dollars as they would have with a traditional “money-up-front” sale.

SHOULD YOUR CLUB BE INTERESTED?

If the following three criteria fairly describe your club, a subscription plan for new software might make sense for you:

1. You have an older legacy system that is limited in its capabilities.
2. Your legacy system is being utilized to its fullest, but still is not meeting critical needs.
3. You have a long line of capital projects that need to be completed, but a capital budget that is not sufficient to pay for them all.

The first criteria describes a significant portion of the private club market. However, many clubs skip over the second criteria and jump to the conclusion that they need new software.

In fact, in a great number of cases the legacy software is actually quite capable of meeting the club's needs – if it is fully utilized. My guess is half or more of clubs who are ‘dissatisfied’ with their current software would be well-advised

to simply do a better job of maximizing the utility of that software – rather than purchasing new.

User training, process re-engineering and a commitment from staff to find a way to make it work – rather than just finding fault – can go a long way to revitalize legacy software.

Of course there are many clubs who legitimately meet the first two criteria and really do need to change to something new. For clubs with adequate capital dollars available the solution is easy. But for a growing number of clubs who meet the third criteria (tight capital dollars), subscription plans are opening doors that may have been closed in the past.

Let's take a look at the ins and outs of subscription plans and address some of the most common questions about them.

WHO OWNS THE SOFTWARE?

Amazingly, most people think when they 'purchase' software they 'own' it outright. Not true. What you actually own is the license (right) to use the software – if you adhere to the

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terms of the agreement.

As soon as you break the agreement (i.e. stop paying), your right to use the software ceases, and the vendor's responsibility to support the software also ceases. Same with a subscription plan. You are purchasing the right to use the software, which you retain as long as you keep paying for it. If you stop paying, that right evaporates.

Note that there are many different payment approaches used in subscription plans. Some are similar to a loan where you are obligated to pay to the full term even if you stop using the software. Others establish a certain minimum number of years of obligation, after which you can terminate without any further obligation.

Still others come with 'no strings attached' allowing termination at any time. Be sure to read the fine print to fully understand what you are agreeing to before signing up.

WHAT'S INCLUDED IN THE SUBSCRIPTION?

Here's where it pays to really study the contract closely. There are seven items any subscription contract should include:

1. Licensed usage of the software: The subscription plan should allow the club perpetual use of the software, as long as the agreement is in force. There may be restrictions to this usage, such as specific modules available, number of users (total, by module, by terminal, concurrent), number of locations (city club plus country club), etc. Make sure you review all license 'exceptions' and confirm any additional costs.

2. Data transfer: The subscription should clearly state what data will be transferred from the legacy system to the new software, and how the transfer will take place. There may be limits on the number of hours/days of transfer work included in the subscription price. Since this work is performed at the provider's office, it is difficult to verify just how many hours/days have been expended. So demand that all data transfer activities be included in the subscription price – with no exceptions and no extras – to avoid being billed later for 'additional work.'

3. User training: The exact number of hours/days of training should be clearly stated in the subscription agree-

ment. Days need to be defined as to how many hours are included in each 'day.' The type of training (onsite or online) should also be specified, along with rates for additional hours/days of training.

4. Project management/implementation: Same as user training – get the specifics.

5. Custom programming: Software salespeople are famous for promising to add features and reports that individual clubs request. Make sure each promised item is included in the agreement and is covered by the subscription price. Also confirm a due date for each item promised.

6. Software maintenance and support: Make sure you understand exactly what is included in 'support', and which (if any) services are provided 'for an extra charge.'

7. SaaS services: If your new software will be hosted by the provider (on a server outside of the club) make sure any

additional costs associated with hosting are included. Also confirm that you are guaranteed access to the software for a reasonable period of time (at least a year), at a reasonable cost, should you decide to terminate the subscription and move to another solution.

(Note: even though traditional software license agreements generally state that the club must stop using the software upon termination of the agreement, such stipulations are rarely enforced. Clubs routinely keep their legacy software running for inquiry purposes well after they switch to a new system. They can do that because the software is installed on the club's server and cannot be accessed by the provider. However, with a SaaS arrangement the software is hosted by the provider – who can turn off access immediately.)

The point of this exercise is to assure you clearly understand all that is, and is not included in the subscription agreement - before signing up.

What Is The TCO On A Subscription Plan? Some clubs worry that while a subscription plan might look promising from a cash flow perspective, it could turn into an overly expensive venture in the long run.

Easy enough to find out. Simply calculate the total cost of ownership (TCO) over 10 years (the average length of time a club keeps its software) and compare to a traditional purchase (ask for both plans from each vendor competing for your business). Be sure to include all seven of the items listed earlier as well as any discounts you are able to negotiate.

What Control Do You Have Over Future Years Subscription Fees? Clubs also worry that initial subscription fees might look attractive but could spiral out of control in later years. Again, this is easy to determine by requiring the provider to stipulate what the subscription cost will be for each year over a 10-year period. Be wary of any provider who hedges on providing specific information on future increases.

Bottom line – Software subscription plans are here to stay. In the right circumstances, these plans can be a good thing for many private clubs. Do your homework. Read the fine print. Then make an informed decision. **BR**

Bill Boothe is a partner with Private Club Technology Solutions, an independent consulting firm providing a wide range of technology consulting services. During his 20 plus years in the club industry Bill has assisted more than 300 private clubs with the planning, evaluation, selection and implementation of computer technology in all facets of their operations. Bill can be reached at bboothe@PCTSGroup.com and at (561) 281-0459.



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