



FOUNDED BY C E ALLEN MBE BEM, IN 1946

THE VINTAGE MOTOR CYCLE CLUB LTD

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A Message from the Board

Consultation on the Future of the VMCC

The VMCC is now facing perhaps the biggest threat to its future in the almost-75 years since its foundation. As things stand, the Club's expenditure exceeds its income by a significant sum. We incurred a trading loss of around £175,000 in the year 2020/2021, and unless action is taken now in around three years' time the Club will be insolvent. We knew this nine months ago: the matter was discussed at the AGM and in the April magazine. Since then, we have been working hard to understand the detail, to get control of the Club's activities, to take the first steps in making savings, and to develop plans for the future. There is, however, a choice to be made between a number of strategic options. This is your club, so the Board is asking you, the members, to decide the general direction in which we should go.

How did we get here?

We have to look back into history to understand how we got to where we are now. In the 1970s, the Club had around 3,500 members, most of whom were active in Sections. In the 1980s, it was in at the start of Classic insurance policies, and membership grew as people joined to get access to insurance not available to non-members. Income increased, both from subscriptions and from commission on insurance. By the late 1980s the scale and complexity of the Club had outgrown volunteer management. Money was available, and the next few years saw the acquisition of Allen House and the recruitment of a significant staff team. All was good, and much of what we do has not changed substantially since then.

Membership numbers continued to rise to a peak of just over 17,000 in 2013, and have fallen steadily since then. The reasons for this are not fully understood and a mix of different factors are likely to be responsible. This is not the place to explore the matter in detail, but whilst we believe the trend can in time be reversed, there is no quick fix. Alongside this, our Club insurance scheme through Footman James became progressively less and less competitive: as fewer members took up the offer, our commission income dropped. At the same time the insurance market was changing fast, Footman James sought to change the basis of the relationship, and around a year ago we gave the required year's notice to end the relationship. We are at present exploring the options for a new scheme to meet members' needs, but it is highly unlikely that it will generate large amounts of money for the Club because the benefits will go to members.

In overall terms across membership and insurance, over the past five or six years the Club has lost at least £200,000 a year in income in comparison to 2013.

A Non-Territorial Club affiliated to the ACU, MAG, AMCA; member of the FBHVC

Riding & Social Events • Racing • Rallies • Exhibitions • Archives • Insurance • Monthly Magazine

Registered Office: Allen House, Wetmore Road, Burton On Trent, Staffordshire. DE14 1TR. Registered in England No. 1570648 VAT Reg. No 111 2121 54

What have we done?

During the early part of 2020 we undertook several initiatives to reduce the running costs of Allen House. A staff restructuring was carried out which will result in salary savings of over £50,000 per year. The production of the Journal was streamlined to improve quality and save costs. We are looking at new ways to run the library and collections to make this unit more efficient, and we have scrutinised all of our activities to find cost savings wherever we can. We are planning that future national events will be run by volunteers supported by outsourced contractors. We have kept our retail business and raffle, which between them bring in a modest income.

Unfortunately, this has not been enough: the inbuilt systems, processes and infrastructure at Allen House are outdated and labour-intensive to an extent where it is almost impossible to find any further meaningful cost savings.

If we were to keep the Club running in the same way as it has done in recent years, we would face a trading loss of £175K each year. Within three years the Club would become insolvent.

What can we do?

Although the situation looks grave, there are options to preserve the Club although all have an element of risk and uncertainty. Below is a summary of the Options for Change that the Board has identified as credible.

Option 1 – Business as Usual... this is what will happen if we don't change anything.

- The role of General Manager would be replaced with an Operations Manager with a different remit
- Allen House would remain as HQ
- National events would be run by volunteers supported by outsourced contractors
- Retail and the raffle would continue providing they make a trading surplus
- Library services would remain, but with a new business model and charging structure
- The archive collections would remain stable but not grow
- The Club bikes would be maintained
- The Club's structure would remain unchanged

What is the likely outcome over next 3 years?

- Membership would continue to decline
- No new commercial ventures would be pursued
- Cost saving initiatives would be taken forward but would not stop a cash shortfall
- Subscriptions would increase broadly with inflation
- Members would be asked for donations to reduce the shortfall
- The Club would become insolvent, probably in 2023

Option 2 – Increase subscription with business as usual... significant subscription increases

- Subscriptions would increase to around £72 per year, at which point the Club should be making a small trading surplus
- It is predicted that membership numbers would reduce to below 9000
- Allen House would continue as Option 1 above

What is the likely outcome over next 3 years?

- If membership were to remain at 9000 or above, the Club would be financially stable

- If membership dropped below 9000, membership fees would have to increase again
- The Club could rapidly become insolvent, even before 2023
- There would be a continued risk to Club's financial future

Option 3 – Increased commercialisation... seek to bring in additional income

- The Club would invest 50% of its cash in new business ventures
- £250,000 to £300,000 would be used to seek to generate new net earned income over a 3-year period
- The principle is that the Club would develop several small business or one-off large venture, with the problem being that no prospects have been currently identified: members would be asked to put forward ideas
- Additional specialist support staff would be needed to develop and run business ventures
- A 20% return on capital would in business terms be ambitious, but would still not be sufficient to stop trading losses
- Allen House would continue much as in Option 1

What is the likely outcome over the next 3 years?

- The Club's cash would be used up quickly
- Even with a 20% return the Club would still have a trading loss of £60,000 per year
- The focus of Allen House and the Club would be distracted by commercial activities
- Membership would continue to decline
- A continued risk to Club's financial future: if the new business ventures fail, the Club would become insolvent in 2023 or before

Option 4 – Same values and principles, but a new start... a complete redesign of the financial and operational model

- The Club would redesign its financial and operational model using contemporary practices
- Allen House would be sold and replaced with smaller premises primarily occupied by the Library and retail, with some equipment storage space and a hot desk for non-Library staff
- All services except the Library would be outsourced: the Library would operate within a fixed contribution from Club funds, plus its own earned income
- A full time National Secretary would monitor outsourced services, support the Board and Sections, and deal with loose ends
- Modern IT systems would be fully implemented: much would go digital, with alternatives for the decreasing number of members without computer skills
- We would seek to develop member- only discounts, including insurance
- Subscriptions would increase to around £47 per year
- The Journal would continue to be produced monthly to a good quality
- National events would be run by volunteers supported by outsourced contractors
- Retail and the raffle would be maintained provided each made a worthwhile trading surplus
- The heritage collections would remain, but be rationalised to support clear purposes and with improved searchability
- The Club bikes would continue, with scope for expansion
- The Club's structure would remain unchanged
- Financial reporting would be reorganised for transparency: "this is where your money goes"

What is the likely outcome over the next 3 years?

- Membership would continue to decline for several years, whilst a new platform is developed to appeal to the next generation of members
- Minimal commercial ventures pursued (only raffle and retail)
- Alternative premises could be bought or rented
- A portion of the Allen House sale proceeds would be used to fund IT investment and business model change
- The Club's cash reserves would remain intact
- There should be a neutral trading position within 1 year, keeping the Club solvent
- Implementation of change has a risk, so careful project planning would be needed to ensure a smooth transition

The key difference between Options 1-3, and Option 4, is how things would be done. The Club's ways of working have evolved gradually over the years, but are not in line with current office practices. The current approach is characterised by the quite high use of labour-intensive telephone communications, paper forms, cheque payments and business systems that are not integrated. Option 4 would to a large extent start from scratch and take maximum advantage of digital technology and online systems to reduce to a minimum the cost of the Club's central administration.

What happens now?

The Board needs to make decisions over the next few months, but is keen to understand what members would prefer before it finalises plans and starts to take action. Had it not been for Covid-19 we would have called a General Meeting, in advance of which we would have asked Sections to discuss these matters. But that is not possible and things cannot wait until the pandemic is over, so we have to proceed in a different way.

During late January and early February we propose to hold a series of evening meetings over Zoom, which will be open to all members. Board Members will be in attendance, and ready to discuss the Options for Change or to answer questions on any topic members wish to raise. The VMCC has never tried anything like this before, and we hope it will give members an opportunity to engage with the Club and the Board in new ways. If you would like to join one of these Zoom meetings, please book directly on the following link <https://www.vmcc.net/consultation> which will have details.

With the February magazine, you will receive a voting paper (and a reply-paid envelope), asking you to say which Option you prefer. There will also be a link to an online voting system on <https://www.vmcc.net/consultation> , which we hope as many members as possible will use so the Club can save on postage and office costs.

Please take the time to study this letter carefully, join one of the Zoom meetings if you can, and submit your vote online or by post. This is YOUR club - we need to know what you think.

The VMCC Board

<https://www.vmcc.net/consultation> will go live from Monday 11th January 2021