GOLF AND COUNTRY CLUBS FACING CHALLENGES HEAD ON

Club facilities scramble to generate revenue and maximize their resources

By Dave Willis

According to research publisher IBISWorld, the golf courses and country club market consists of more than 11,000 businesses, employing a third of a million individuals and generating some $23 billion in revenue. Despite its size, the market continues to struggle. "Due to the tough economy, many country clubs are suffering from a loss of members," explains Mike Flood, senior vice president at Wells Fargo Insurance Services. "This greatly reduces revenue the clubs are taking in."

It's not just a drop in membership that's caused revenues to fall off. "Because membership is down, most clubs have lowered their rates," says Bob Battaglia, CPCU, ARM-P, AAM, ARe, assistant vice president and underwriting manager in the sports and recreation department at Philadelphia Insurance Companies. "They're trying to maintain membership levels, find ways to attract new members and generate additional revenue."

The industry faces other challenges. "Even though the sport is incredibly popular and it continues to generate more interest, the industry has overbuilt, particularly in certain parts of the country," he adds. "The supply exceeds the demand."

To cope, some clubs are shifting strategy. "We're seeing a lot of private clubs transitioning to semi-private organizations and opening up to public play," explains Rob Mulhern, senior vice president, The Preferred Club Program, which is part of Venture Programs. "They still have private membership, but they allow outside play to increase cash flow and rounds of golf so the facility gets used. This helps their bottom line."

They're broadening their reach in other ways, too. "People are so worried about losing their jobs, they're working more and spending more time at the office," he adds. "They'd rather spend their off time with their families, so we're seeing a transition from the old-school golfing membership to more family memberships." To respond, some clubs have added fitness centers, and many are putting on more summer camps and clinics for children.

"We're also seeing some clubs get more aggressive with their restaurants," Mulhern notes. "They spend so much money on their facilities and chefs and wine cellars, so they're hosting more events, like wine tastings, chef menu nights and family casual dining." The move aims to make the club an attractive family alternative to the chain restaurant or local eatery across town.

Battaglia has seen some clubs branch out in other ways. "For instance, golf and country clubs have expertise in landscaping and golf cart maintenance and repair," he explains. "Some are offering these services to other businesses or even for members, as a way to generate revenue and maximize their resources."

These actions, coupled with a modest economic improvement, seem to be having a positive impact. "Clubs are still struggling, but things are starting to come back a bit," Battaglia notes.

Mulhern says there's been a slight resurgence in rounds played. "This doesn't necessarily help the clubs financially, but it lets them continue to provide a service to their members at a high level," he explains. "Things bottomed out a year or so ago, but now we're seeing the industry starting to climb back up."

Covering the risks

Like other businesses, golf and country clubs are starting to face increased insurance rates. "Due to the poor weather we've had over the last couple of years, weather-related losses have spiked," explains Mulhern. "Carriers are looking to get additional premium from the club industry. They've paid claims for trees, for damage to courses, for roof damage from hailstorms, tornadoes and hurricanes. The last two years have been horrible in terms of weather."

Adds Battaglia, "Golf and country clubs have significant property exposure. With all of the catastrophic weather events we've experienced over the last few years, carriers have taken some hits, and rates are going up—primarily on the property side, but on the general liability and automobile, as well."

Timing probably couldn't be worse for club operators. "Carriers are looking for additional premium and the clubs have been having a tough time with the economy," Mulhern notes, "so it's kind of a double-edged sword. It's a tough time for clubs because their expenses are increasing, but their revenue isn't going up at the same rate."

As clubs have tried to expand their revenue base, potential risks have grown as well. "Many clubs deal with the unexpected exposure of having guests, who may not be familiar with the club or its rules and regulations, visiting the club and posing a risk," explains Flood.

This and other club-specific risks require that agents pay close attention when putting together insurance programs. "Since there are several different exposures at country clubs, it can be hard for them to consistently maintain proper coverage," Flood adds. "With many carriers including or excluding important coverages, and jumping in and out of the market, the task can be extra challenging."

Flood advises retail agents and brokers to focus on the breadth of country club risks. "It's important to make sure clubs maintain appropriate coverages for their entire operation," he explains. "For instance, having adequate limits for crime, and using the proper form when replacing crime policies, is sometimes overlooked, but it's a must."

According to Battaglia, properly addressing risks requires continual—and candid—communication. "It's important to make sure you understand exactly what the club's specific exposures are and match those up with a carrier whose insurance program fits the client's needs," he says. Mulhern concurs. "Understanding exactly what risks the club has and matching that to the right market is key," he says.

Working in a marketplace that's facing price increases may pose extra challenges for retail agents and brokers. "Premiums for the country club industry are going up," he notes. "From a retailers' perspective, we're seeing more and more clubs, both club managers and boards, shopping their insurance more."

This represents a bit of a shift from the traditional way country clubs have been written. "It used to be that, in most cases, a member would handle the insurance for the club," Mulhern explains. "More and more, general managers are taking ownership of the insurance and looking outside the club."

This change may have positive and negative implications for the club. "Member agents or brokers really care about their club, and they want it to work," he notes. "If a claim arises, they're going to fight for the club to make sure it's covered. On the flip side, if there's a gray area, or something goes amiss, do you want the club to be upset with a member who is also the broker?"

Moving to an outside broker can take some of the politics out of the relationship. At the same time, it provides opportunities for other agents and brokers—those who might not be members—to get a shot at the account.

Flood's advice to agents and brokers, member or non-member, is simple: "You will have the best chance of growing and serving customers in the market if you can offer, at the least, a semi-exclusive arrangement with a carrier that specializes in coverage for country clubs. This type of carrier can equip you with the tools you need to maintain proper coverage and avoid some of the pitfalls of cookie-cutter programs in the market."

Battaglia adds, "Agents should strive to keep their club accounts with a good, consistent program—one with a history in the business, one that shows stability, and one with the underwriting expertise to handle the needs of golf and country clubs." ■