Pros Study Effect of 10% Tax on Golf Goods

PROS AND ATHLETIC goods manufacturers share bewilderment at a number of phases of the recently effective 10 per cent tax on sporting goods. In the case of clubs, balls and bags the issue is clear; the tax goes on and is added by the manufacturer to his pro selling price unless the manufacturer chooses to absorb this 10 per cent himself. But in certain items of pro shop merchandise such as sweaters, hats and hosiery for golf use there is confusion. A committee of the athletic goods makers' organization is attempting to have the law clarified. The way it stands now, a sweater, for instance, if sold by a manufacturer or dealer to an athletic team and bearing a letter or number identifying the player, is athletic goods and subject to the 10 per cent tax, but if a store sells such a sweater and the player or team adds the embellishment no tax is applicable because the sweater is considered an article of ordinary clothing. Rubber-soled golf shoes, according to the present general interpretation of the tax regulations, are not taxable but 10 per cent must be paid on spiked golf footwear.

Some of the professionals ordered heavily just prior to the date on which the tax became effective, but the usual procedure of the fellows was to do the worrying about disposing of stocks then held in the shop. One of the complications that now bothers the pros is that of adding the tax to merchandise purchased after the tax deadline and omitting it from the goods bought earlier. It not only is confusing to the customer but calls for close attention to stock records.

50-50 in Effect on Pros.

There is one aspect of the new tax arrangement that decidedly benefits the pro, according to an authority connected with the golf club manufacturers association. Due to the necessity of the sporting goods dealer preserving his none-too-long margin of profit the 10 per cent tax is pyramided on merchandise. The way that this works out on the usual jobber and dealer discounts is to make a golf club that formerly listed at $10 now call for a store retail selling price of $11. On the other hand the pro whose gross margin, for illustrative easy figuring, may be taken as 40 per cent on some of the clubs he handles, can maintain his former spread on a $10 list price club by selling it for $10.60 with the tax included.

Therefore, says GOLFDOM's informant, the pros' position as distributors of first class golf goods who will be able to weather the storm, has been strengthened. The 10 per cent tax is going to be a positive factor in the continued betterment of pro credit for which the PGA has been strenuously striving for several years past. This tax must be paid by the manufacturer monthly. Consequently the manufacturer is not going to take a chance on having to pay out promptly 10 per cent in cash that is not too readily available and then waiting for his money from the pro or dealer. Accepting this delay would mean a demand for additional financing difficult to obtain.

Undoubtedly, in a number of instances, this ever present 10 per cent is going to be a strong control over the operations of manufacturers' credit and sales departments. It will be impartial in its effect as some of the hit-and-run dealers whose credit is none too good will be made to lay it on the line instead of joyfully being furnished with merchandise by manufacturers who are compelled to turn their inventories into whatever amount of cash they can get.

Makes Orders Stick.

Still another effect of the 10 per cent tax, according to knowing pros and manufacturers, will be to impress on some of the pros that a purchase order is intended to be a firm commitment to retain for resale whatever merchandise is ordered. By some pros the idea is entertained that golf goods is ordered by them on a consignment basis—if they don't sell it by the end of the season they can turn it back to the manufacturer and be credited with the purchase price. Naturally this idea is held by men who have the least acquaintance with business methods and as the manufacturer would sooner get his goods back than be
out the entire money involved, the returned goods evil has grown to costly dimensions. When a pro returns any goods he ordered before June 21, it simply means he is throwing away 10 per cent of the money he might have made on the sale of the returned merchandise as the returned goods will have to be replaced by something else added to the pro-shop stock. Then, too, the manufacturer is not going to be any too eager to sell a pro, pay 10 per cent to the government and then have to pay 10 per cent out of the manufacturer's own pocket when the merchandise is returned by the pro. The government does not kick back with the tax for an order is an order in the eyes of the government, as in the eyes of business men generally.

A Sales Opportunity.

One of the unfortunate things about the 10 per cent tax is that many of the golf players don't realize the tax now is effective, despite the vast amount of newspaper space devoted to the congressional battle on the tax and eventual passage of the tax bill. This has led to some misunderstanding of the pro's position.

A GOLFDOM correspondent observed a clever method of handling the situation in a New York pro shop. The alert pro had made a number of hand-lettered signs reading to the effect, "I bought this before the 10 per cent tax went on. You save the tax and get a great bargain." He displayed these signs on goods he had purchased prior to the tax law becoming operative. Evidence of quickening sales and clearing out stock was noted promptly, said this professional.

Time to Study Ways of Increasing Lessons

ONE OF the solid citizens in Detroit PGA ranks recently handed a GOLFDOM correspondent a line that might be worth consideration by some of the other fellows. He said:

"Study your members before you go wild on the price-cutting business. There are still plenty of them that expect something better at the pro shop and suspect they are getting the usual store stuff when the pro cuts low, narrow and tough. The laugh to me is that a lot of the boys are panic-stricken about cutting club prices but keep the lesson prices up.

"What I have done is cut the price of my lessons about ½ and have made the lessons shorter, but I get a lot more of them. My lesson income this year is bigger than it ever has been.

"I also cut the club cleaning charges. Both the lessons and club cleaning charges were cut without the club making the suggestion. I now have 60 more bags in the rack than I had last year and my net on club cleaning will be higher than in 1931. I see to it that my boy cleans the clubs too. The jobs that are done in cleaning some of the woods in pro shops I have seen are sure signs that some of the fellows are getting careless about club cleaning. One thing that has made these cuts bring me a volume that has more than made up for the reduced prices is the women in golf today. They are natural bargain hunters and when you can tell them you have reduced prices, they buy.

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