The uncertain state of the economy is going to make budgeting twice as tough this year. Using the Chicago area clubs as its point of reference, GOLFDOM reports on present and future sales and cost trends that should be weighed carefully before submitting budgets.

By Joe Doan

Second-Guessing the Economy

An informal survey of more than 50 clubs to determine how clubs were faring at the end of June showed that they were victimized by the recession but not so much that anyone will look back on 1970 and refer to it as that trying or harrowing year. This is especially true if in 1971 things get turned around again, as soothsayers say they will, and the economy resumes its upward and onward march.

To check the pulse of the golf club industry and spot economic trends that will influence 1971 budgets, GOLFDOM utilized the Chicago area and portions of surrounding states. With its vast variety of golf course types, sizes and economic levels, this region may be considered a microcosm of the nation’s golf club industry.

In some respects it’s hard to make a case for recession at clubs. True, most managers will say that business in 1970 was down from the previous year. But out of 15 clubs canvassed on major improvements, four went ahead with substantial building programs, one constructed a new clubhouse at the cost of well over $1 million, and a sixth was going to start at the end of the season to restore a clubhouse that had been partially damaged by fire two seasons ago.

In checking out specifics, it was found that Chicago club food sales were down 4.3 per cent and bar sales were down slightly less than 2 per cent; for outside clubs (in downstate Illinois and surrounding states) the figures read 6.7 and 5 per cent respectively, both down.

Cost of food at Chicago clubs amounted to 46.1 per cent of gross food revenue compared to 47.9 at outside clubs. It is interesting to compare these figures with those shown in the Chicago District Golf Assn.’s “Directory of Information” for 1965 and 1960. For 1965 the combined percentage for city and peripheral clubs was 46.97, and for 1960 it was 47.7. An axiom of the country club business is that food costs have to be kept under 50 per cent for a restaurant to break even.

Bar costs for the current year are 32.3 per cent of gross bar revenue at Chicago clubs and 31.9 per cent at outside clubs. Five years ago they were computed at 35.7 for Chicago clubs and in 1960 they were shown as 38.19. The latter figure was the highest ever recorded. The approximate 6 per cent spread between 1970 and 1960 is quite startling and at first glance indicates that the liquor and beer industries have outdone themselves in holding the price line in the last decade. However, methods of compiling the costs may vary a little between the old CDGA reports and those utilized for GOLFDOM. When the difference was called to the attention of one club manager, he guessed that clubs have raised their markup on liquor and beer by at least 10 per cent in the last decade.

Combined labor costs for food and bar operations were almost identical at Chicago and outside clubs through June of 1970—39.8 for the former and 40.6 for the latter. Comparative 1965 and 1960 figures aren’t available from the CDGA Directory.

The Chicago payroll tax was 4.2 per cent for the first half of 1970 compared to 3.9 for outside clubs; respective employee meal costs were 3.9 and 3.6 per cent; and laundry was 2.9 versus 3.4 per cent.

Club managers at Chicago clubs figured they had netted 6.7 per cent on food and bar operations through June, and those outside clubs, slightly less than 4 per cent.

A majority of club managers noted what they considered hints of recession. Guest lists have dropped off rather appreciably at some clubs, not so much at others. As one manager puts it, "You can begin to tell which clubs are supported by expense account members as opposed to those paying their own way by looking over the guest business. Bar accounts also give some clues." Another adds that "salesmen aren’t
entertaining as much this year as before, and we're not getting much business from brokers."

At 40 per cent of the clubs, maybe 50, new and cheaper dishes are being pushed to keep restaurant patronage up. Menus are being printed with the cheaper Continental dishes: the stroganoffs, chicken and fish leading off, with steaks pushed toward the bottom. Still, the clubs that are doing this are probably feeling the cost squeeze more than those that continue to feature steak. Costs of all types of food continue to advance this year—most managers say from 5 to 10 per cent—and the profit margins from the cheaper dishes, even though they are sold in greater volume than the expensive ones, don't do much to fatten the gross. Furthermore, labor costs for serving stroganoff are just as high as for sirloin.

Labor has continued to be pretty much of a dilemma during 1970. Turnover, most managers agree, hasn't been as great as in the past and there hasn't been as much coddling of employees. But the transient problem is still very much in evidence. Professional dishwashers and other menials are still packing up and leaving after working two or three weeks. Chefs are relatively easy to find, but there is a dearth of second cooks. Steakhouses and restaurants are luring the clubhouse help because they offer five-day work weeks, whereas the clubs have to schedule their dining room and kitchen help for six.

Higher wages paid by restaurants are also quite a deterrent to finding and keeping reasonably good help. Because truck drivers and construction workers have won such large wage increases in recent months, there is much grumbling among the clubhouse employees. Most managers say they simply have to be paid more money or in the future less than the bottom of the barrel is going to have to be scraped. The Chicago area managers say that at the very least clubhouse wages will go up 6½ per cent in 1971. In the immediate Chicago area the increase may be greater.

Club business, according to two out of three managers, started to pick up slightly after July 4th. At clubs where this happened, the opinion is that many members decided to forego their vacations and substituted golf and dining out for travel. The fact that more events are scheduled for the 4th also had something to do with the improved business. Another factor was the stock market. Some managers say that when it started to come out of the doldrums in late July and then gained a little speed in August, club activity started to pick up accordingly. At least three of them expressed the opinion that a fairly high percentage of their members, more than was realized before, depends on winnings from the market to keep them in their clubs.

Out of 15 clubs, only three raised their dues for 1970. One club increased its dues a whopping 30 per cent (without too much protest), but the increase at the other two clubs was relatively small. Several clubs, though, increased locker room fees for both men and women by from $10 to $20, and golf car fees by $1 to ease the financial strain. Two clubs invoked minimum house accounts for the first time. One of these adopted a system whereby any deficit is pro-rated only among members who don't spend a certain amount of money in the restaurant and bar over a year's time. The good guys, meaning the big spenders, thus are spared.

About 60 per cent of the club managers feel that clubs have been remiss in the last five years in not increasing dues. "It doesn't make sense," says one manager, "our costs have been bouncing up every year and we have to hit the members with a stiff annual assessment. They resent it more than if we increased the dues 20 or 25 per cent and brought them up to where they should be. At least the dues increase would be leveled out through monthly payments. The bill for the assessment is presented in a lump sum and it's hard to swallow."

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Economy

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As has been mentioned, the clubs generally didn't retrench on their building programs during the year. Only two of the 15 clubs surveyed are deferring improvements until economic conditions warrant making them. Seven managers said that their clubs were set and didn't plan any major changes in the foreseeable future. One of these, the Country Club of Peoria spent a good deal of money renovating its course last year, and in 1968 spent more than $100,000 remodeling its clubhouse and pool.

The clubs that went ahead with building or renovation programs, in spite of the recession, include Thorngate in Deerfield, which built a new clubhouse costing nearly $1.5 million. Butterfield in Hinsdale put in an underground garage for golf cars, enlarged and improved its locker rooms and built a new lounge and grill at a cost of $800,000. Park Ridge spent $350,000 in remodeling its pro shop and a grill and constructing a new women's grill and locker room. Elmhurst earmarked $60,000 for course maintenance. A BETTER CHANCE

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Aurora (Ill.) CC, which suffered the loss of a large portion of its clubhouse due to a fire in 1968, has decided to go ahead with reconstruction this fall. It will cost at least $750,000. (Inflation note: If Aurora had gone ahead with restoration immediately after the fire the project would have cost about 20 per cent less.)

Thorngate's new clubhouse gave a

big boost to business. People came from all over the Chicago area to see it while the club staged quite a few extracurricular events in unveiling the new edifice. The result was that May, June and July were record months for producing revenue although business started to return to normal in August.

It is generally conceded that sportswear and equipment manufacturers came close to surpassing themselves in holding the pro shop line, but the same can't be said of those who build and supply equipment and supplies for course maintenance.

One large manufacturer of playing equipment claimed that prices of clubs, balls, bags and gloves were kept well below the cost-of-living index increase for the year, and few professionals would dispute this. Only one golf ball manufacturer came up with a sharp price increase. Sportswear price increases, in most instances, were restricted to 5 per cent or less.

On the maintenance side, gang and greens mowers, tractors and other equipment commonly used increased from about 3 to 8 per cent. However, some of the more specialized equipment such as shredders, spreaders or seeders had increases ranging up to 20 per cent. Prices of sprinklers and similar equipment, which have brass or copper fittings, were driven up by as much as 30 or 40 per cent.

Chemicals fluctuated quite widely. Those containing mercury had stiff price increases in 1968 and 1969 but tended to stabilize this year. However, others came along to take their place in the price parade. Between the increases in chemicals and equipment, one distributor pointed out that it was difficult to publish any kind of a perpetual price list all through 1970. He predicted that the present list will have to be torn up again in November when the regular annual price revisions are made by manufacturers. Most of them won't be downward.

There are even rumors that the fertilizer industry, which has held the price line for several years due to a glut, has reached the point where it must raise prices this fall.