Golf Co-ops: A Case Study
Golf professionals have expressed renewed interest in forming golf cooperatives. Charles Byrket, vice president of Carnoustie Products, Inc., shares his experiences in organizing a golf co-op among Indiana professionals.

By the Editors

Do the golf co-ops being formed today have the above principles in mind, or are they exceeding their capabilities by going into manufacturing, an area in which they have neither the expertise nor the knowledge?

There are so many misconceptions about the aspects of cooperative buying that it would be difficult to go into all of them in this article. Definitions differ on the scope the golf co-op should take. Perhaps clarification into the nature of the beast, the concept of golf cooperatives within the industry as it exists today, and into the attitudes of the professional and manufacturer can be gained from a man who has witnessed, been a part of, and watched the demise of what was once the largest working pro shop co-op in the United States.

Charles Byrket, vice president of Carnoustie Products, Inc., golf merchandise specialists, relates his experiences with a group of Indiana professionals who formed a working golf cooperative during 1969. Although Byrket still believes strongly in the principle behind cooperative buying in the golf industry for professionals, perhaps some of his account can give greater understanding of the problems involved in forming a golf co-op.

Byrket got into the golf business the same way a lot of professionals did. He was a good amateur sticker in Indiana, and when a friend bought a golf course in 1962, Byrket leaped at the offer to become head professional. He soon discovered that he was unaware of some of the practices and "codes" of the golf professional. "Some of the things I had observed as an amateur player had no relation to being in the golf business," Byrket says. "At a privately-owned public fee course the job is not to direct club activities, but to direct the play. You're not as 'individual' oriented as a professional at a country club. The first thing I quickly learned was that I didn't know anything about the golf business and about the duties of a professional. For every 10 obvious duties of a professional, there are perhaps another 90 that go unnoticed by the members, but which must still be performed."

Byrket soon concluded, "the club professional is the most important single force in the golf merchandise world. He controls what he sells through his knowledge and years of experience by being able to exercise his professional judgement on the merchandise that he chooses to sell." With this in mind, Byrket began to formulate a plan for a golf cooperative.

1964

Byrket's program is discussed with area club professionals and the sectional PGA. "Everyone was waiting for the other professional to jump in," Byrket says. "Consequently, we got a lukewarm reception to start with."

1965

The program is discussed with a banker.

An attorney who specializes in cooperatives is retained by Byrket. "This was probably the most important step in the organizing of the company," Byrket says. "Without proper legal counsel we could not have proceeded. If we had proceeded without such advice we would have had serious legal difficulties with the state Securities and Exchange Commission."

Byrket studied the golf industry by talking to manufacturers, distributors, salesmen and other professionals to acquaint himself with all phases of the golf business.

1966-1967

Nine professionals in the Fort Wayne area agree to join with Byrket.
1968

Byrket takes a part-time job at a brokerage firm to help meet his expenses.

1970

Byrket borrows money personally from the bank to get more capital. "I had to have a friend co-sign the loan," Byrket says. "The bank would never give a loan to such a risk-type new company."

A drive is started to get 100 additional golf professionals into the program. Seven sign up. "We allowed professionals who had not joined the plan to take advantage of the merchandise we offered," Byrket says, "because the more everyone purchased, the more capital this gave us and the more profit the plan members made. Nonmembers who purchased equipment did not receive any dividends.

At the end of the year, the company had actually made a small profit and returned to each professional stock certificates and cash according to the amount they purchased.

Byrket takes a part-time job at a brokerage firm to help meet his expenses.

1970

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"Yes and no," states Byrket. "We were a success in that we proved that a co-op is workable, feasible, practical and right if it receives the support of the golf professional. It provided a spark, a reason, a way to do some of the things that maybe the professional was looking for. As far as a corporate success, no," he says. "We had professionals who invested money, and when we went out of business they had a loss. On a financial, corporate basis, if you say that people put $250 into a company and find out the next year that the company was out of business, and your $250 is gone, well then on that basis we were not a success.

"If we could have been a successful company I think we could have had professionals to join. I've often felt that if," Byrket laughs as he uses the word for what seems like the 100th time, "Arnold Palmer would have started Golf Professionals, Inc., in Indiana we would have been a success, because the name Palmer is synonymous with success. I was a Johnny-come-lately.

"I'd like to digress for a moment," says Byrket. "When I said the professional controls what he sells, I mean there is no golf company with the right of eminent domain in the golf shop. A golfer tells the professional he wants a glove. Chances are he doesn't say I need a black number two leather glove. The professional reaches up into the rack and selects the right glove for the golfer. The golfer doesn't question whether the glove has good stitching or English leather. You are buying the golf professional's experience and knowledge. If you buy a glove downtown," Byrket states, "you're going to take it out and examine it and ask questions about it that the salesman probably can't answer."

Returning to the co-op, Byrket sums up some of the problems of making a co-op work.

"The nature of the business is such that the golf professional has no backing or capital. He's usually on a one year contract, he's undercapitalized, has to borrow money and he's faced with all of the things that every small businessman today is faced with. When you think about the other pressures—higher prices, less margin of profit, discount stores and discount pro shops—the professional can be insecure and looking for something that will help him, such as the theory of the co-op.

"The very nature of the professional and the industry are the same reasons the co-ops in the golf business fail. The professional is an individualist, he doesn't want to commit himself on putting up capital before he gets merchandise, or ordering merchandise months in advance of when he needs it. It is convenient to just pick up the phone and call the distributor on short notice. He (the distributor) is the one who has had to take all of the risks. Although many of the gripes of professionals wanting to form a co-op are legitimate, such as poor service, tail end merchandise and high wholesale prices," Byrket says, "the professional in the co-op may have to follow the same practices he finds repugnant or inconvenient.

"You have to convince a lot of professionals to chip in a good deal of money and then say forget your investment. Your investment comes with lower wholesale prices and dividends at the end of the year if the co-op makes a profit.

"Professionals in Indiana aren't any different from pros anywhere else," Byrket says. "The co-op has to be organized and run by someone who knows both sides of the business: legal, manufacturing, buying and the golf shop. There just aren't many professionals with the time to do all of the necessary work required to make a co-op a success. It's not a simple matter of buying and selling at the lowest prices or the bottom dollar. You have to set up your buying office, have someone handle buying, inventory, invoicing, payments, collections and other problems.

"If the golf professional wants a better markup or better service," Byrket says, "he has to do something to bring it about. He has to make up his mind quicker and help the representative or distributor out. He has to pay his bill and make his investment quicker. If he does that then he can take advantage of lower wholesale prices and volume discounts. Another misconception is the idea of volume discounts on pro-only golf equipment. They don't give them generally because there is great risk and competition in this market for a relatively select number of golfers. The professional who orders one dozen golf balls and the one who orders 100 dozen all pay the same price. Volume discounts can be gained in certain soft goods and related golf items. Some co-ops have indicated manufacturing their own clubs. Theoretically it's great. You can design the club yourself and then perhaps get it at the bottom dollar. But the capital investment is so great, the competition so fierce and the volume so insufficient that I would really question this venture from a capitalization standpoint.

"I've seen some of the projections of proposed co-ops," Byrket says, "and I wonder if they have adequate capitalization and competent legal counsel. I think some of the problems we faced will recur with these groups also."

Byrket's comments on the golf co-op should not be construed as sour grapes.

"I have presented our experiences to GOLFDOM in the worst possible light in the hope that some of our mistakes might enlighten other groups and golf professionals," Byrket says. "I am very proud of my association with Golf Professionals, Inc., and the professionals who had the guts to participate. Without their help, the program could not have been started at all." Although the benefits to Byrket were not monetary, the insight he learned into the golf co-op concept has given him a great deal of knowledge about the golf industry. "The more knowledge I gained about what we were doing, convinced me that the co-op concept had great potential in the golf industry with proper capital.

"If I would have known at the beginning all the things that were going to happen before anything started," Byrket says, "and the results, I probably would have forgotten the idea of cooperative buying. I just had enough ignorance and a dream to keep asking questions."