Think of the budget as a yardstick by which you measure your financial progress

by PATRICK D. WILLIAMS

Why is the word “budget” so fearful? It literally strikes fear into normally brave souls. Most professionals think budgeting is nothing more than sheer drudgery. Many consider it a complete waste of time. Few actually give this management function the proper credit it deserves. The time you spend budgeting your golf shop operation may be the most important time you spend as a golf professional. If you have cash flow problems, it is the most important time that you can spend on shop management techniques.

Budgeting, or let’s call it control, is simply a plan of attack and nothing else. It is how you make assets equal liabilities. It is how you get the checkbook from red figures to black figures. It is the life blood of any, and I mean any, business operation. Think of it this way: If you have a sound and realistic budget, you only have to think about cash flow and all those kinds of things occasionally, not every waking hour. If you budget properly, it is funny how automatically those bills get paid. If you budget adequately, it is amazing how much easier it is to make those decisions on inventory investments. If you budget period, you have controls and objectives. It has to be better than nothing—by far.

When I refer to budgeting, I am not talking about a 400-page statistical analysis of the golf shop operation. I am not talking about carrying everything out to four decimal places. I am not talking about a plan that takes three hours a day to review.

I am talking about a very simple “nuts and bolts” approach to establish tangible controls for your business. We are merely setting some “markers” that we are trying to measure up to. We want something that tells us we made a mistake when we made it and not at year’s end. If we have a problem, it needs to be corrected now, not later when it may be too late.

That point is probably the major advantage associated with the budgeting management function. It gives you an opportunity to change before absolute disaster strikes. And regardless of how accurate your budget is, it is still only a yardstick. An example: Let’s assume you have a budget for your golf shoe inventory. You have decided, based on your past years performances, that you should invest $10,000 this year in golf shoes. That is all you should spend this year, you think. As your inventory comes in, you keep a general running check with the budget, leaving nothing to memory. The golf season gets into full swing, you get super busy. The shoe displays “look” sparse, so you order more shoes and continue to rock on through the summer and fall. No checking with the budget. Just a lot of hard work. Come mid-October, you get out the budget and check it with sales and inventory. Shoe sales $7,500; inventory of shoes on hand, $4,500. What does this mean? You are just $2,000 over budget. And why? Because you guessed at your needs rather than taking five minutes to check sales, inventories and budgets. Two thousand dollars doesn’t sound like a lot, but think about it this way. In most golf shops that $2,000 represents all of your net profit on $10,000 worth of golf shoe sales, your total average annual sales in shoes. You have invested your true profit in sale merchandise, or in next year’s inventory. It’s that simple. You have nev-

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er sold more than $10,000 worth of golf shoes in one year in your life, and here you have $12,000 worth. Bad business and failure to stick to your plan of attack.

Obviously, the situation could be reversed. You could have ordered the shoes and you could have needed $15,000 worth of inventory rather than $10,000. But the point is that you can buy that stuff a lot easier than you can sell it. You can always get more shoes, but it's a lot tougher to get more customers. A budget is a two-edged sword. It is an indicator of highs as well as lows and it must be utilized accordingly. Remember, it is a constant measure, but it is not absolute fact. If you rigidly enforce a budget, that is just as bad as not budgeting. That means you are right come "heck or high water." That means you are maximizing profits. A "non-budgeter" generally minimizes profits.

At this point, let's tear off on a tangent. I recently interviewed a golf professional who has an interesting and I might add a very practical approach to his budgeting. Even though the approach would be considered simple to the comptroller of General Motors, this golf professional has a plan that would fit every golf shop that I've ever seen. The approach is as follows: Merchandise profits are to cover all administrative and overhead costs plus yield a minimum profit. And everything else is mine.

My good friend Ernie Sabayrac will probably not speak to me any more for putting that statement in print because of the words "minimum profit." But even Ernie would agree, because this professional tries to segregate other business from that directly related to the golf professional's professional service. Or should I say those services a golf professional is employed for?

Let's look at some numbers. This professional operates on the $50,000 theory. He contends that you need one assistant for each $50,000 in merchandise sales. So $100,000 means two assistants; $200,000 means four and so on. And for good measure, he adds two bag room men and a range boy. His net profit on sales based on 10 years of operation is 17 percent of gross sales. He says also that he has never realized more than a 2 percent net profit on merchandise sales and beyond all costs associated with the golf shop. Sounds kind of bad until you analyze what he has left.

Assume that he does $75,000 in merchandise sales. At best after all costs are paid, he picks up $1,500 net. Then he walks over and picks up 100 percent of everything else. Lessons, salary, golf cars, range and bag storage are all net, net. He is budgeting at the nth degree. If he can cover all costs with one phase of the operation, everything else is his. He has a plan of attack. Now obviously he budgets in some detail on both sides of the fence. He indicated that his detailed budgeting was as simple as X amount for equipment, Y amount for women's stuff and Z amount for men's stuff. All determinations are based on what he has done in the past to establish minimum levels. His employees are responsible for checking the budgets with sales and purchases. It's their "bag," not his.

We have not tried to get into any details on this man's budget, such as percentages invested here and there. The variances between types of clubs and courses make such comparisons superfluous. The key point is that he has a general plan of attack (a budget), then he breaks that plan down into several smaller plans. I asked him how much thought went into his budgeting each year. His reply, "About the equivalent of the time it takes to play 10 rounds of golf." That is a pretty cheap time expenditure for solid business planning.

During the course of the conversation on budgeting we discussed other aspects of the shop operation, which invariably got back to planning one's attack. He said that there was one thing about the profession that he had a hard time understanding. A man starts out playing golf. He works hard at it with thousands of hours of frustration and practice. He eventually turns professional and becomes an assistant. As an assistant he is energetic, hard working and is always planning ahead. Then, boom, he becomes a head professional and in 50 percent of the cases just retires. This guy didn't mean retire literally. He meant that these guys quit thinking, quit planning and quit being goal-oriented. Maybe he was making reference to **budgeting** everything.

At the close of the interview I asked the question concerning how one budgets paying his bills. He asked, "What do you mean?" I said, "You know, you get the merchandise in January and you pay for it 90 days later. How do you budget having the money available when it is due?" He answered, "If you have to tell a guy he needs to save some of that dough he's taking in to pay bills with, he shouldn't be a golf professional." His parting shot was that golf professionals need to understand and appreciate what it costs them to do business if they are ever going to be successful at planning, budgeting and making money. He believes that when you sell something you have to know what it cost you to sell it. When you ring up $100 on that cash register you had better realize or plan that only about $17 of the $100 is yours at best.

His final shot was that if you budget and plan you can take those discounts on purchases, but only if you budget and plan. He looks at discounts like they are 24 percent interest payments. He doesn't understand why a guy doesn't take discounts even if he has to borrow the money from a local bank. Discounts are a part of his budgeting process whether it is physical or mental budgeting.

So what have we said in all this. You don't really need to budget or plan financially in your golf shop unless you want to. It is not an absolute necessity. However, if you plan to maximize profits and minimize worry you have to budget. We have said also that you don't have to prepare a big fancy-looking budget. Maybe all you have to do is make some notes on one sheet of paper. Regardless of your approach, you have a plan and most important you have the yardstick with which to measure your progress. It's that old theory that any planning or thought is better than no profits at all. Sit down and plan for 1973. You really owe it to yourself.