

DO SHOPS SHOW PROFIT?

**Correct Accounting Shows Pros Need Salary
—Shops Run for Members', not Pros' Profit**

WITH a shock pros at the Illinois PGA April meeting learned from the talk on accounting made by W. E. Hall, credit manager of Wilson Sporting Goods Co. that a pro could do a \$5,000 volume of merchandising business in a season and still go into the red \$335 on his shop.

Although Hall's figures were sketchy, they were close enough to the facts at many clubs to bring out two points sharply; one, that the pro has to watch his costs and income by a simple, accurate bookkeeping system, and the other that the members' patronage is due the pro because he actually is operating his shop as a member service station rather than a source of much net profit to the pro.

Where the loss hit on the Hall presentation of the pro's books was in charging a pro salary for seven months at \$150 against the expenses of pro shop operation. This is a perfectly logical charge but one that pros seldom figure into their costs of doing business. If the pro shop were conducted as a business owned by some outsider, a salary would have to be paid for a store manager and that would be an item you'd have to pay out before you could ring up a profit. The pro, or any other small retailer, is fooling himself if he doesn't charge a salary against the cost of doing business.

After profit or loss on merchandise is figured up on the Hall specimen statement other income is figured up on a very generous basis, with the pro coming out ahead for the year, \$3,865. On the basis of 200 sets of clubs in shop care for active play, this would amount to \$19.32 an active member a year, which as every pro knows is an average far above the actual figure.

In the Hall specimen an annual salary of \$1,200 is figured in for the pro. Lessons for the season are set down at \$1,000 which is well above the national average at 18-hole or large clubs. Club-cleaning is figured at \$10 a season for 200 sets.

Suggests Investigation

Hall said that the true picture of pro income certainly would have great value

in acquainting club members and officials with the nature of a reasonable deal due pros, as well as giving the pros a business par to shoot against. It is his belief that pros who have exercised good judgment, vigilance and energy in operating their departments in a manner providing them with enough income so they had their families are assets to the community and the club, are entitled to high commendation.

He recommended that sectional or national investigation be made of pro costs of doing business, advising that pros be asked to fill in their figures on a standard blank and mail the figures, without any identifying mark to a central authority so the truth could be ascertained without embarrassment. No official action was taken on this suggestion at the Illinois meeting, although pros later said that such data with its percentages would be of great help in governing pro business operations on a successful platform.

One point that Hall didn't mention specifically was plainly inferred from his remarks and from his statement. That was that such an investigation of the facts in pro cost-of-doing-business would have strong effect on the manufacturers' sales and credit policies. Other retail outlets cite costs of service rendered in establishing claims for preferential discounts. Pros, who make the market, can refer only to the expense of their work in the most general way.

Is it any wonder, then, that Hall, with all his acquaintance with pro business problems, should omit in his listing of pro expenses such items as caddie hire, which will go around \$100 a year for an active pro at an 18-hole club, ball and club expense (since the code prohibits sampling), association dues, laundry and cleaning charges well above the normal because of the sweat and dust of instruction and playing, and numerous other items that will occur to the pro who studies the Hall specimen statement?

Perhaps in "depreciation" which accounts for the loss of value in replacing old models of the pro's playing equipment or in the "miscellaneous" part of the "post-

STATEMENT

1. Cash Sales	\$1,500.00	
2. Charge Sales	3,500.00	
3. Total Sales		\$5,000.00
4. Mdse. at beginning of Period.....	\$1,000.00	
5. Purchases	3,334.00	
6. Total (line 4 plus 5).....	4,334.00	
DEDUCT:		
7. Mdse. at end of Period.....	\$1,000.00	
8. Cost of Mdse. Sold.....		3,334.00
9. Result—Gross Profit (line 3 minus 8).....		\$1,666.00
DEDUCT EXPENSES:		
10. Pro's Salary—7 Mos. at \$150 Each Mo.....	\$1,050.00	
11. Payroll—Others (boy 33 weeks at \$12.00).....	396.00	
12. Auto Expense	200.00	
13. Advertising	50.00	
14. Insurance	30.00	
15. Taxes	25.00	
16. Postage, Freight, Express, P.P. & Misc.....	200.00	
17. Depreciation	50.00	
18. Total Expenses		\$2,001.00
19. Profit or Loss.....		335.00
OTHER INCOME		
20. Salary from Club (\$100.00 per Mo.).....	\$1,200.00	
21. Lessons	1,000.00	
22. Club Cleaning	2,000.00	
23. Total—Other Income		\$4,200.00
24. Net Profit or Loss.....		3,865.00

Note that when you charge proper expenses against pro-shop operation, you may lose dough in operating a pro shop for member convenience. It's something officials and members don't appreciate about the pro job.

age, freight, express, parcel post and misc." item some of these specifically omitted charges are covered, but in the average case instead of a \$250 total for the shipping charges, depreciation and miscellaneous, a figure nearer twice that amount would be right.

However it was obvious from Hall's talk and the comment that followed when the fellows gathered after the meeting and talked things over that the sore spot in the pro credit situation can be blamed on neither the pros nor the manufacturers having full and accurate information on pro cost of doing business. A similar situation of lack of definite knowledge does not exist so generally in any other retailing field that can be called to mind readily. Pros actually are much better business men than even most of the pros realize and that this condition of cost blindness exists may be check down as due to oversight which requires early correction.

Hall submitted his specimen statement as merely an outline. There are plenty of holes in it, he admitted. One omission that will strike many pros is that of losses in accounts of former members, or present members when the club does not handle pro accounts. Another charge he does not record, but which several pros incur, is a

charge for the service of a competent bookkeeper to go over the pro accounts monthly.

Hall did say that it mystified him why so many pros were able to remember stroke for stroke their games for months but when it came to bookkeeping would plead that "figures were not in their line." This statement, GOLFDOM's readers may recall, is identical with one made by Dan Goss several years ago in a notable series of articles on pro accounting.

The Hall specimen statement follows. Shoot it as full of holes as you want to; that was the idea of Hall in preparing it as a beginning for cooperative work that would result in a standard, simple, easily-kept pro accounting record.

ALLEX CUNNINGHAM, veteran pro at North Shore CC (Chicago district) has a handicap board record that will make you blink. Out of 180 members Alex has 73 of them in Class A and only 2 shooting in Class D.

He not only has a big lesson business but a successful one as the above record proves. For four years he's had free class lessons for women and children.

Can any other pros beat the Cunningham record in developing low handicap players?