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GOLF ECONOMICS

- There's a limit to what members can pay for club services
- The big money is spent in pro shops, not on tournaments
- Luckily, two of three golfers are pro-quality conscious

By HERB GRAFFIS*

An accurate view of the economics of golf can't be taken from the viewpoint of the professional, supt. or club manager, or the fee course owner or club manufacturer. It must be taken from the viewpoint of the golfer.

The golf customer can't be expected to do much figuring as to what the game costs him. It's desirable that he doesn't. If, all of a sudden, he decides golf is costing him too much or that some other game gives him more pleasure, socially and physically, for his money, he will be a lost customer.

The switch in sports markets sometimes happens before anyone realizes what's going on. If you don't think this can be true, consider that baseball is losing its fans to football; that baseball's minor league system has virtually disappeared; that pro football has established a farm system in the colleges.

**This article is condensed from a speech made by Graffis at the PGA's annual business meeting which was held in Palm Beach Gardens, Fla. in November.*

In 1938, would anyone in golf have guessed that golf playing equipment would some day exceed in sales value the volume of all other sports items except hunting and fishing equipment? Yet, signs of golf's inevitable growth were present. The effects of golf on suburban real estate values, rural and suburban roads, automobile sales, sportswear, social objectives and even Scotch whiskey, were evident 25 years ago. But who considered them in pondering the economics of golf?

Who in this huge and influential business of golf considers the economic picture of the game today?

An alert professional knows pretty well what the game costs the golfer.

But are these things taken into account by very many people? . . . A member of a metropolitan private club pays from $3 to $5 for course maintenance every time he plays a round at his club. Interest on the club debt and other fixed charges cost many private club members $2 a round.

Where Help Is Needed

Heavy traffic at public courses, which operate tax free, makes them one of sports' biggest bargains and, at the same time, such tough competition for privately owned fee courses that the latter need all

You're impressed by the fact that 10,000,000 golf clubs are produced annually . . . but each golfer buys only two a year

the business judgment and other help they can possibly get. What is more, they need it from their pro.

There is a practical limit to what clubs can pay for professional services and for other management costs. A pro who is a businessman knows that.

He knows, too, that there are hundreds of clubs that can provide good jobs for a combination pro-supt., or pro-manager-supt., but the same clubs would be poor paying propositions for two or three men handling these jobs. There are 867 pros in the U.S. who are handling combination jobs. Many of them are netting more than many professionals at some of our finer metropolitan clubs.

Have Helped Supterintendent

The economics of golf have changed and improved the status of the supt. When there are pro vacancies at fine clubs, there may be from 35 to 90 applicants for a single job. When there are supt. vacancies, the clubs are lucky to get applications from ten good men. To woo the supt. away from his present spot, the hiring club, in many instances, has to offer him a good deal more than originally planned.

We talk about the college men in professional golf. The maintenance department has them, too. Every one of the GCSA's national officials is a college man. And, just about every supt. in the country gets some useful education in the economics of golf in studying the maintenance budget with his green chairman, and then trying to fit course expenses into the overall plan.

All-Around Knowledge

We have been asked quite often why we try to balance pro and maintenance articles in Golfdom and, at the same time, use material that is of interest to the club manager as well as club officials. Let me emphasize, though, that successful pro businessmen don't ask why we do this. They realize that they must understand course maintenance problems and also be familiar with what is going on in the front office to work efficiently with the supt. and the manager.

The fact that Bruce Herd has been selected golf-professional-of-the-year by the PGA fits in perfectly with a discussion of golf economics. Bruce is representative of the hundreds of smart professionals who are broadly informed about the golf business. He knows there is more to his job than teaching and selling merchandising. He is living in the midst of another boom. He remembers a previous boom that blew out and caused much financial misery among hundreds of clubs and their members. It's a good thing we have veteran pros like Bruce around. If they see any danger signs in the present boom, we can depend on them to flash the warning signals. It has often occurred to me that men with big financial interests in golf would be wise to consult veterans such as Bruce Herd more often. Many of these oldtimers know a lot of the answers. They know what the score is in golf.

Wild Guessing

Speaking of the score reminds me that there is a tremendous amount of wild guessing and faking in golf business statistics. Sometimes you wonder if this isn't a game in which at least every other man is an expert. But what I think should be stressed is something that most people overlook — and that is a comparison between what is spent for equipment, apparel and accessories in pro shops and the prize money that is offered in tournaments, TV golf and exhibitions. Around $100,000,000 is spent each year with the home professional. Prize money amounts to about three per cent of that total.

There is another picture that may bring the vision of golf as a business into clearer focus. In 1963, Arnold Palmer was hailed as the first playing pro to earn more than $100,000 in prize money. That was indeed a remarkable thing, but think of this: The bar business at the club where Bruce Herd works grosses that amount year in and year out. And, by comparison with other clubs in Chicago and other districts throughout the country, Bruce's members are a temperate lot.

Not So Vicious Circle

Getting back to Palmer and the fantastic amount of money he has made — all of us should be rooting for him to make more. The more Arnie makes, the more you and I make. It doesn't end there. Arnie is dependent on you because the

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more you sell the more he makes. If that's a vicious circle, let's all get in the ring.

When you think of the money that is made in golf, naturally the first person you think of is Arnold Palmer, and more recently, Jack Nicklaus. But let's not overlook the fact that there have been some home pros in what is called the steady, sound and unspectacular end of the business, who have done pretty well. I refer, of course, to those fellows who have acquired golf properties, paid for them out of earnings and today are in the millionaire class. They have proved that opportunity hasn't gone out of style.

Are They Too Durable?

Another element in golf economics that is a puzzling one is the durability of the clubs we use as well as the balls. The more expensive ones in each line actually are a big bargain for the player even though they certainly cut down the market for the manufacturer. When I see a tournament golfer displaying old clubs or hear of one complaining about roughs in which balls can be lost, I wonder if he couldn't stand some basic training in golf economics along the lines a home pro has to think about when he is adding up his sales — and then adds up his bills.

Overall golf ball consumption tells us pretty well how many rounds are played by U.S. golfers in a year's time. Golf statisticians have worked out a reliable formula for determining this. For 1963, for example, the men who operate the computers say that 98,000,000 rounds were played on the 9- and 18-hole standard courses and another 8,000,000 were played on the Par 3 installations. There are nearly 6,800 standard courses in this country and close to 700 of the so-called short courses.

Don't Believe It!

You may have heard there are 8- or 9,000,000 golfers in the U.S. Don't believe it! The statisticians say it isn't true! Six million, including 1,000,000 casual players, is more like it. Private courses account for 35 per cent of the rounds played; the rest are played at semi-private and municipal courses.

Here, probably is the most surprising revelation of all.

The 1962 (latest reported) sales revenue figures of the Athletic Goods Manufacturers' Association members, comprising nearly all the leading makers of clubs and balls, show that pro grade lines accounted for 64 per cent of total dollar volume. What would you have guessed if you hadn't heard this figure?

There were 5¼ million dozen balls sold by manufacturers who reported. This means each golfer used slightly less than a dozen balls in 1962. But these loose averages can be misleading. It is well established that private club players buy many more balls per year than fee players. So, if you are a pro at a private club and don't sell very close to two dozen balls a year to each player, including men and women, something may be wrong.

It Only Looks Impressive

Sales of golf clubs by all manufacturers annually amount to about 10,000,000 units. This is an impressive figure, still it means that each golfer buys only two clubs a year. That isn't quite so exciting. And, when you consider that 70 per cent of the sales of pro-quality clubs involve taking trade-ins, you readily see that these sales aren't all gravy for the pro.

Pros aren't alone in their headaches where clubs are involved. The manufacturers have them too. Golf clubs can be made in many different ways. They can be turned out as precision instruments or as just plain sticks. And, no matter how cheaply one company can make them, another can beat the price. Women, who play one-third of the golf in this country and take about 60 per cent of the lessons, are buying the cheaper and smaller sets because they feel that pro-line clubs are too costly. This is a serious problem. Some smart people among the pros and the manufacturers are going to have to figure out how to make the women quality conscious, or the makers and sellers of inexpensive clubs are going to continue to feast in what should be the pros' territory.

Temptation Is There

We understand there are 8,700 sporting good stores in the U.S. that sell golf playing equipment. There are additional thousands of discount, department and drug stores plus miscellaneous outlets that sell clubs and balls. The temptation for people to buy cheap golf merchandise is almost like sin — they are completely surrounded by it. More and more of them are going to give into it if the pros and the 17 manufacturers of quality clubs don't continue to harp on the advantages of buying pro-line products.

The economics of golf certainly play an

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important part in the pro-job situation. In almost 40 years in this business, my brother, Joe, and I have been involved in some way in the recommendation of or hiring of hundreds of pros. I can tell you that jobs at both semi-private and private clubs are oversold to professionals at least half of the time. Club officials and members usually think the pro makes much more than he actually does. His accounts, in many cases, are billed and collected by the club. It's as simple as adding two and two for officials and members to see that their pro isn't getting rich. That is, if they bother to look at the collections. Many times, those who take the trouble to do this, don't take into account that it costs a lot of money to operate a shop. They don't stop to consider that like any business, a shop operation is a two-way deal. What most members need to be impressed with is that at the typical metropolitan club, the pro department even with the golf car rental it may collect, does only two-thirds as much business as the club bar.

What Is "Average"?

I have heard club officials estimate that their pro's net annual earnings amount to $100 per member. This is a nice, round figure to pick out of the air, but I don't know if it can be backed up. I've gone over hundreds of statistical reports in my day, including those issued by individual clubs, the National Golf Foundation and public accounting firms such as Harris, Kerr, Forster & Co., and I've come to the conclusion that there isn't such a thing as an "average" figure. What passes for average may come close, but it has to be accepted with some reservations.

Harris, Kerr, Forster & Co., for example, reported in May, 1963, that a typical member's spending at 50 clubs totalled $593. Of this, $266 was spent for food, $171 for beverages, $58 for sports activities and $98 for "all other purchases." The clubs examined were the larger and wealthier ones. Unfortunately, pro shop expenditures weren't clearly identified. But from the figures cited here, you can reliably conclude that the pro wasn't netting $100 per member.

Minimum Pro Account

You hear a great deal of talk about the "minimum monthly house account." There are many arguments for and against it, but it is reasonable to assume that if it costs a definite amount of money just to keep a clubhouse open for a season or a year, members have to be willing to spend enough at the club to pay for this convenience. What has never been brought up is a "minimum monthly pro shop account." There is justification for that, too, if members want the convenience of a shop. But it never will be seen in this light.

Even though golf's growth has been on the phenomenal side in the last decade, the game can't be considered a mass market operation. The fight for pro-only business proves this. There is a good deal more profit for manufacturers in quality merchandise than there is the low price club and ball lines. The distribution and selling problems in the pro line picture also are a lot different than those in the stores setup.

Can Get Too Involved

I have listened to many manufacturing company executives and salesmen discuss their sales experiences and the errors that many pros make in buying. I also have heard of pros getting deeply involved in consignment and delayed payment deals that got them so wrapped up they didn't know where they stood. These are things to be avoided.

If you don't think so, consider the case of a professional at a pretty good club who died a few months ago. When his widow, her lawyer, and a fellow from the bank the departed pro patronized got together and tried to take an inventory of the estate, there were so many screwy deals on purchases, inventory and sales of merchandise that nobody could determine where the woman and her children stood. Somewhere in this fellow's business relations with manufacturers, economics got lost in the rough. Something like this is a temptation for any man in business. One manufacturer tried to help out the pro, but the poor fellow was in so deep at the time of his death, that there simply hadn't been time to get his affairs straightened out.

There is urgent need for concerted study of golf business economics by professionals and manufacturers. It shouldn't be delayed another day if the pro is to have future security, and the manufacturer increasing profits in the years to come. In the past, the pro has been too busy telling the manufacturer what should be done, and the manufacturer has been too busy telling the pro what should be done. Standing on opposite sides of the street and screaming at each other isn't going to solve their problems. What they need to do is go into a huddle.