

If I Made All the Money My Members Think I Make..

... "I'd be a rich man," says this Milwaukee pro...
It's time, he says, that those erroneous impressions
about markups and net profits be straightened out

By **ROMY ERDMANN**

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The impression exists among many members of country clubs that a professional is in a business where the markup is high and his net profit is practically equal to his gross. Many of these people don't seem to take into account that we have substantial expenses.

If you were to do some opinion testing at your club, I venture to say that three out of five members would reply, "Oh, you make 35 to 40 per cent profit on your sales, don't you?" Further questioning would probably bring out the fact that most members realize you have some expenses, but they'd probably insist that your net has to be somewhere around 25 per cent.

If you were to say something to the effect that markups are deceiving and that after sales, closeouts, etc., your gross is actually reduced to around 25 per cent, you undoubtedly would arouse some skep-

ticism, if not outright disbelief. Then, if you were to add that a pro is lucky to net from 10 to 15 per cent, you'd probably be accused of figure skimming or juggling.

A member who is a businessman would believe what you told him.

The one who isn't would have his doubts. That 40 per cent as a markup is a magic figure so far as he is concerned — just like par 72 and 99.44 per cent pure. He reasons that if your markup is high, your net has to be high.

There isn't any doubt that professionals have been lax in allowing most of their members to think they are in a business where it is almost impossible to shut off the profit tap.

Actually, it hurts our business to have people think this. How many of our members, do you suppose, don't patronize us, or only buy the barest golfing needs in our shops because they think we are making too much money already?

Most of us should start some kind of a campaign to inform our members as



Golfer Denny Thiet (r) purchases golf balls from Romy Erdmann, Milwaukee North Shore pro, who wrote this article.

to what the true profit picture is. They have been under the impression too long that the 40 per cent markup figure comes with the shop. They don't realize that we have expenses that eat heavily into our gross. They don't stop to think that if we buy wrong or overstock, we have to close out a lot of merchandise at cost or less than cost.

Let's assume that we are able to debunk that 40 per cent markup figure by convincing members that it does constitute the gross in some businesses, but where a pro operation is involved it's a number that somebody once picked out of the air and, unfortunately, it stuck.

Let's Get Into Costs

Maybe that is half the battle. Now let's get into what it costs to run a shop. Expenses are somewhat more involved and it's going to take a little longer to round them up and explain them to the members — not that we are expected to render a profit and loss statement. But let's have the expense figures ready just for the sake of being able to give the true picture of our operation —

- A club cleaning machine, a necessity at a country club, costs the pro around \$425. It lasts an average of three years. At a club where there are 250 members, two cleaning boys have to be hired. Their salaries aren't what can be called large, but it shouldn't be forgotten that boys aren't working for nothing these days.

- Three out of four pros pay all or the greater part of the assistant pro's salary. Depending on the size of the shop, salary outgo doesn't stop with the assistant. There may be two, three or four other people working for the pro on a full or part time basis. Included among these probably is an auditor. And, come to think of it, how many pros' wives work for a nominal salary?

Where Do Range Balls Go?

- Most professionals purchase range balls for the convenience of members. My club, for example, has only a small practice area that may not take as much traffic as clubs with larger ranges. Yet, 1,000 practice balls turn up missing every year at my club. This means that \$500 (mine) goes out the window.



Wes Barrios, assistant pro, and Erdmann check grip on club that has been returned for repair.

- Some, not all, professionals are required to buy all fixtures for their shops. At many clubs, such as mine, the cost of installing fixtures is split between the pro and the club. In the five full years I've been at North Shore I have put \$1,500 into display equipment and furnishings.

- Normally, the pro purchases the cash register, adding machine, typewriter, check writing machine and price stamping machine that he and his staff use. I don't think that many pros have an argument with this but the point is these machines cost money.

Time If Not Money

- Some clubs pay the caddiemaster; some pros pay the caddiemaster. Caddie training, more often than not, is the responsibility of the pro staff. This costs more in time than money, it's true. But somebody once said that time is money. Some of us do lose lesson fees because of the caddie program.

- Shop insurance premiums have doubled in the last five years because of the great amount of burglarizing that has been going on. Premiums also increase in proportion to the added stock a pro carries. If you are conscientiously trying to give your members larger stocks of merchandise from which to choose, you are run-

(Continued on page 70)

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The Money I Don't Make

(Continued from page 30)

ning up your insurance costs for them.

- A professional is expected to dress well and do a reasonable amount of entertaining. It costs him money to do these things. He also has tournament expenses.

May Not Share In Benefits

- The professional doesn't always share in the benefits that other club employees are given. These include health and accident insurance and retirement benefits. Many pros have to pay for these coverages if they want them.

- There are any number of miscellaneous expenses that a pro incurs. These include bag tags, marking tapes, repair equipment such as the lie and loft machine, vises, small tools and many lesser items. Some pros subscribe to golf magazines for their members. Club tournament prizes can run into quite a bit of money and so can for that matter, wooden tees.

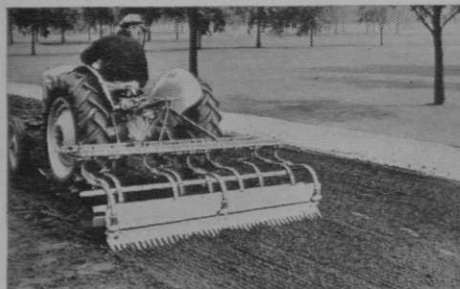
It wouldn't be so bad if the routine expenses of running a shop were all that came out of a pro's gross. He is a risk

enterpriser and some years the risks he takes in buying merchandise may drive him to the brink of going out of business. A delayed spring or a summer that is too hot can do great harm to his business. If he gets too much capital tied up in stock and has to borrow money to keep going, he has interest expense to pay. At some clubs, delinquent accounts or outright bad debts have been known to keep a pro on lean rations during the winter.

I have been in the golf business for six years and just now I am learning to order merchandise that I am reasonably sure I can get rid of before the season is over. It hasn't always been that way. There were years when I had to mark down some of my stock to a ridiculous figure or eat shirts and sweaters. A friend of mine who has been a professional for 25 years tells me that he still gets stuck with merchandise that is almost impossible to move.

All of us recognize that we are in a delicate position in regard to what we can tell or can't tell our members about the financial operation of our shops. Many of us, in fact, don't want them to know

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anything whatever about our financial status. That is why a large percentage of pros handle their own billing in preference to having the club do it.

But if we find or suspect that we are losing business because some of our members have erroneous impressions as to our markup percentage and the net profit, we had better find some way to get the true word to these people.

Irrigation Costs

(Continued from page 39)

plished at lower cost before final grading and seeding are undertaken.

With irrigation required from 12 to 20 weeks per year on many courses, a full irrigation system offering at least 25 years of useful life not only provides better playing conditions, but its overall cost will usually be substantially lower than the consequential costs of inadequate watering, with or without the aid of partial coverage systems. Lacking standards as to "quality of maintenance", individual analysis will perhaps be more convincing using published information as a guide.

Costs Vary Widely

Irrigation costs like other maintenance expense, vary widely between courses in different areas. Excluding the cost of water supply and pumping, complete, permanently installed irrigation systems are reported to cost from \$950.00 to \$1400.00 per acre. Such installation costs are highly dependent on variations in terrain, soil constituents, system design and the use or omission of automatic controls to reduce subsequent labor cost. However, these factors can be readily appraised in terms of specific investment requirements for any course to confirm the advantages offered by a complete irrigation system.

Girls' Junior Championship

Qualifying rounds on Aug. 16-17, and match play, Aug. 18-21, will be played for the USGA Girls' Junior tournament at Hiwan GC, Evergreen, Colo. July 30 is the deadline for entry applications to be filed at USGA headquarters at 40 E. 38th St. in New York City.