

THE PROFIT-CENTERED PRO SHOP

PART 2

Robert D. Rickey



Howard
Nannen



WHO IS THE COMPETITION?

**GOLFDOM's panel of experts give
their views on another controversial aspect of
pro shop merchandising**

GOLFDOM asked 12 representatives from the golf industry for their views on current problems in the five major areas of pro shop merchandising—buying, ordering, credit, competition and promotion. In Part 2, the panel discusses better ways the professional can compete with downtown stores and raises the questions of whether or not the pro shop is in competition with stores, markups and the overpriced image the pro shop has.

The panel consisted of Don E. Fischesser, formerly professional, Connorsville CC, Ind., now the professional Golfers' Assn.'s special assistant for sectional affairs; Don Kay, professional, Heritage Village CC., Conn.; Warren Orlick, professional, Tam O'Shanter GC, Mich., and president of the PGA; Bob Thatcher, professional, Aronimink GC, Pa.; Jack Lust, vice president sales, DiFini Originals, Ltd.; Wally Phillips, national sales manager, Etonic Div., Charles Eaton Company; Richard Tarlow, treasurer, Brockton Footwear; L. Dean Cassell, vice president

marketing, Golf Div., Acushnet Sales Company; Paul MacDonald, vice president, Dunlop Tire & Rubber Corp.; Howard Nannen, vice president sales, Spalding Sales Corp.; Robert D. Rickey, vice president, MacGregor/Brunswick, and Ernie Sabayrac, president, Ernie Sabayrac Company.

GOLFDOM: It has long been apparent that professionals are not competing with each other, but with the downtown stores in apparel and equipment. What can suppliers do to help the professional better compete with these stores?

Sabayrac: The manufacturers rightly believe that the best way to sell golf equipment is on the practice green. The person who best fits the club to the golfer is the man who diagnoses the player's problem, writes the prescription and helps correct the flaw—the golf professional. Let's face it, the golfer looks for equipment that will help his game; purchasing this equipment from the professional puts him

in a position where he can be certain that this is, in fact, what he needs. When a golfer buys from the pro shop, he is buying both equipment and advice. The situation is similar in apparel sales. The downtown stores may carry the same brand names, but the pro shop at the club is more convenient. If the golfer can get the same top names in sports clothes at his club, why should he take the trouble to go downtown?

Phillips: Suppliers can help professionals bring distinctive styling, fashion and competition in price and quality into the shop to compete with these stores. Also, offering merchandising aids with recommended methods of utilizing facilities can help.

Thatcher: Suppliers can give professionals equal opportunity at price breaks on merchandise. Sales representatives should become closer to the professional and aid him in selling techniques. Advertising dollars should be spread out among shops and stores. The pro-only policy is our life saver.

Rickey: I strongly disagree with your



Jack Lust

Don Kay

L. Dean Cassell

Don Fischesser

statement that golf professionals are in competition with downtown stores. It certainly isn't true with hard goods in which entirely different and higher quality lines are offered exclusively to the professional. Although it is true that most professionals are probably feeling price resistance especially to big items, but unless he is at a public course that attracts a high percentage of beginner or casual golfers, he is not in direct competition with downtown stores. Referring specifically to golf clubs, only the golf pro is qualified to correctly fill every individual golfer's club needs.

Cassell: We must question whether or not stores have a significant portion of the golf market. Our research has unequivocally established that they do. We believe that retail stores do not really deserve the share of the golf market that they presently have. Two so-called reasons why some people feel there should be a large volume of golf merchandise sold through retail stores are: It is convenient and the retail store is where you get bargains and where beginners pick up clubs and balls. With proper merchandising and pricing policy by manufacturers, the great bulk of golfers, regardless of what price category they intend to purchase, should buy in pro shops. Only cheap, non-quality products should be purchased in discount stores. To help a professional, a manufacturer must invest in general advertising and educational programs to develop the golfing public's awareness that the pro shop offers exclusive high-quality

products priced competitively, and that it is here that the only true value can be guaranteed.

The average pro shop does not have the financial resources of a store with its ability to stock exceptionally high inventory. So the manufacturer must price realistically. He must also present his best product developments and features for the pro shop. He must develop merchandising aids, displays, etc., so that the products are presented in an attractive fashion.

There is a vast untapped potential volume available in the golf market today. Complacency will allow it to remain untapped, and only coordination between the manufacturer and the professional will stem and reverse the trend. In tight times competitive factors are heightened and the business of golf is more competitive than ever in pursuit of the consumer dollar. The manufacturer and the professional share a common goal: to fully maximize the available potential.

Orlick: I do not agree that professionals are in competition with the so-called downtown stores. There are so many services that the golf pro can offer that a store would find difficult to provide.

Kay: Because most superior equipment is sold only in pro shops, the professional doesn't actually compete with downtown stores. In soft goods, however, he does and it is up to the professional to keep his merchandise appealing and fashionable for the golfer and to keep his prices in line with his type of merchandise.

Fischesser: Although soft goods for

women and men have become an important golf shop item, suppliers give the impression that golf shop business is merely gravy. Their prime consideration goes to the department store. The manufacturer allows the stores a 7 per cent or 8 per cent discount whereas the professional gets a discount of 2 per cent. In addition, soft goods deliveries to the pro shop are poor, especially on re-orders. Sometimes an item that is supposed to be in stock will take as much as four to six weeks to deliver. I have even seen cases where slacks ordered in January at the Merchandise Show for March delivery could not be furnished because the manufacturer was out of stock for the season. The season hadn't even started. An outstanding line of soft goods should be available to the professional through PGA programs.

Nannen: The suppliers are participating in the PGA Business Schools in sales and merchandising programs in which they should learn how to better help the professional compete with the downtown stores.

Tarlow: Suppliers can sell merchandise to the professional which is competitive in every respect with downtown stores. The professional can carry some of the top brand lines sold in leading downtown stores and sell them at the same price.

Lust: Manufacturers can advertise the pros' dedication to personalized service and educate them in the latest soft sell merchandising techniques and displays. They can also help pro-

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professionals improve business by encouraging them to promote the fashion angle, to hit their customers with the new look as early as downtown stores.

GOLFDOM: *How can professionals change the idea on the part of many golfers that pro shop merchandise is over-priced?*

Phillips: Taking advantage of suppliers' aids and reaching his members with accurate information on what he has to offer is probably the best method of letting his members know what values can be obtained in the pro shop.

Thatcher: The professional should provide service to such an extent that members will not want to shop elsewhere. Many members do not realize that golf shops carry an above average quality of merchandise whereas stores have a complete line of merchandise ranging from the least expensive to the most expensive. This gives the impression that pro shops are carrying too-expensive merchandise. Club officials should aid in this department wherever possible. Their support would help remove this idea from the membership.

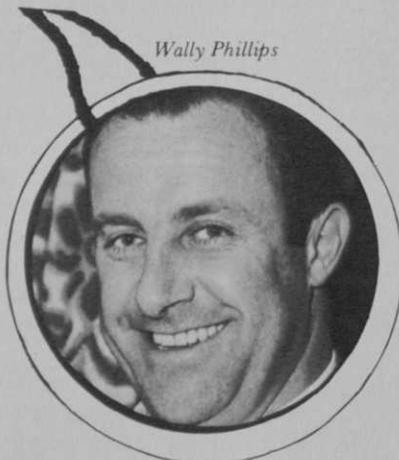
Rickey: In order to change the over-priced image his shop has, the professional must sell the advantages of buying in the shop. The professional must take time to be familiar with the major manufacturers' lines to best utilize his expertness in fitting clubs, because this expertise gives the pro shop the advantage over the downtown stores. He must without exception sell his customer the correct set of clubs, not just what he has in inventory.

Orlick: Unfortunately, some professionals do over-price, but they are so few that I don't think there is a problem and I am fairly certain the suppliers are not worried.

Nannen: But a good part of the club members can't feel that pro shop merchandise is over-priced because the pro would not be doing the volume of business he does. For those members who feel that the merchandise is over-priced, the pro should devise ways of getting the message to them that he has price lines to fit every pocket-book. This can be done by periodically running sales and using statement stuffers to call a sale to the attention of his members. Or he can periodically have a "Memo from the Pro Shop" which can be newsy and at the same time be a sales tool.

Cassell: There are, however, some practices which establish the over-priced idea in the minds of golfers. There is a definite need for price stability and consistent dollar trading of products so the consumers become familiar with pro shop pricing as it relates to quality and value. Although there certainly is nothing wrong with periodic sales, one continuous deal after another can erode the theme of shop-equals-value. Eventually the consumer questions all "original" prices at which the shop sells for the bulk of the season. The confidence of the consumer in the pro is impaired if the shop has distorted the value of the merchandise.

Lust: Most urban centers are discount oriented, and metropolitan pro shops who feature brand name price leaders can effectively combat the notion that pro shops are over-priced. Pre-ticketed, nationally-advertised brands have true value to the consumer; 50 per cent discount on brand X belongs in the bargain basement not in a pro shop.



Wally Phillips

MacDonald: I don't think it is as much of a problem now as it was several years back. The pro shop should be developed as a unique center for purchasing quality golf equipment. There the customer has a better opportunity to purchase equipment that is properly suited to his or her game. The pro shop is not in competition with the discount house.

GOLFDOM: *Do suppliers feel some professionals have been marking up their merchandise too high recently?*

Thatcher: Although some suppliers may feel that way, I don't think it's fair. Stores have always taken advantage of manufacturers' closeouts without passing the savings on to the customer. It is also wrong to blame professionals for too high a markup because today's younger, better edu-

cated professional knows better than to charge the maximum. He would be cutting off his nose for the sake of the immediate dollar. It is poor communication which creates the problem. Discount professionals don't aid the rest of us in properly maintaining a markup.

Tarlow: How can the golf professional expect the same high markup as a downtown department store or specialty shop? His operating expenses are not the same. The professional cannot buy merchandise at the same bottom price as the big stores, and although this may not be true of the same line of merchandise, it has to be true when you compare one line with another. It costs a manufacturer more money to sell to golf professionals than to big stores. Golf pros' orders are smaller, the credit problems are bigger and all other problems which cost money are bigger than they would be if a manufacturer sells to large stores. The manufacturer that specializes in golf shops must have a higher distribution cost than the manufacturer that specializes in selling to big stores. If the golf shop wants to compete with downtown stores, it must work on a smaller markup.

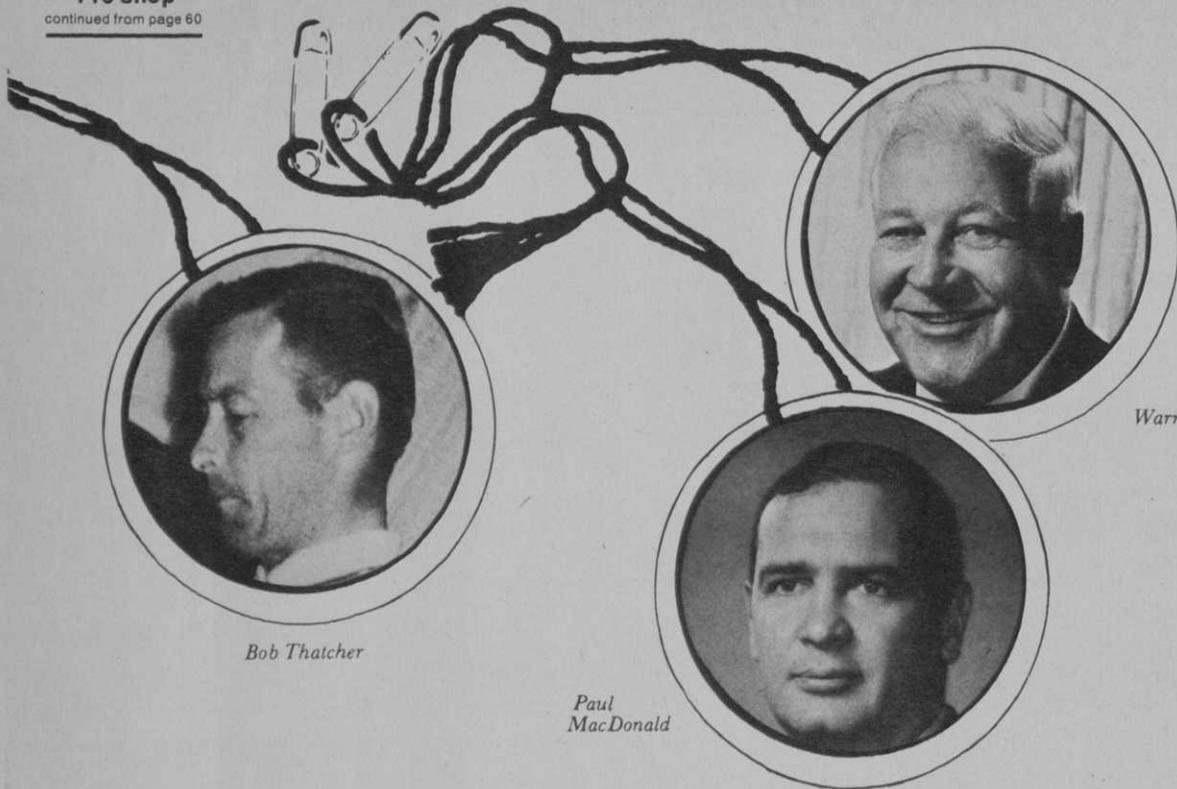
Kay: A markup is customary in the soft goods line in most large stores and even discount stores to keystone most of their soft goods. I see no reason why pro shops can't do this.

Cassell: This is a question with a built-in fine line, because at present
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Richard Tarlow



Ernie Sabayrac



Bob Thatcher

Paul
MacDonald

Warren Orlick

professionals aren't receiving excessive markups in the shop and, in fact, the current margins may be appropriate. There is a danger to the shop's ability to generate and sustain the vital volume needed to exist if it becomes overly conscious of "margins." The shop desperately needs dollar intake because it cannot tolerate recessive periods for very long. A balance must be sought for the proper margin to operate profitably. But the professional mustn't think one-dimensionally. If he does, volume begins to erode, traffic lessens and his shop becomes gradually uncompetitive. The golf pro shop is competing in the total golf market, and its pricing, merchandising and promotion strategy must reflect this fact. Another danger attached to escalating markups and, subsequently, retail pricing, is that suspicion can become planted in the customer's mind. He begins to question the value received on money spent on pro shop merchandise. Once the value of the merchandise is suspect, the consumer will look elsewhere, and he has a multitude of choices other than the golf shop. None of us should allow this to happen.

Sabayrac: Rather than complaints about over-pricing, the word we get is that professionals are under-pricing. One reason for such wide variations in pricing is that pro shop help don't know the proper markup tech-

niques. In department stores all merchandise is separated and tagged before it goes out on the floor, and pricing is somewhere around the manufacturer's suggested retail price. Tagging merchandise can contribute to the customer's suspicion that the item is over-priced. Out of habit, the shopper assumes that a handwritten tag means random pricing. The professional should adopt professional merchandising practices, for example, the inventory price control tags that are available. Even a seemingly unimportant thing like price tagging methods can make a difference.

MacDonald: To my knowledge, suppliers don't feel that pros are marking up their merchandise too high.

GOLFDOM: What kind of markup do professionals consider fair?

Phillips: In the past, most professionals thought a 40 per cent markup was fair, but now many consider that with the increased services and variety of merchandise the professional offers, a higher markup is necessary to retain a profitable margin. Probably 45 per cent is fair, but many feel that a 50 per cent markup is necessary.

Rickey: The professional has tried for many years to work on a 40 per cent markup, but with golf clubs, for instance, he must accept trade-ins, so he can seldom hold this margin. Some professionals are trying to get away from trade-ins, but in doing so, they have eliminated one of the elements

that make them unique and gives them a captive market in the sale of high-priced golf clubs.

Orlick: In our area, most professionals consider a markup of 40 per cent adequate.

Nannen: Like all businessmen, the professional has to have a fair markup on his merchandise. Most pros have a larger overhead than the average member realizes, so the pro must get a 40 per cent markup.

Kay: It depends on the kind of merchandise. Anyway from 35 to 50 per cent based on selling price.

Fischesser: Fifty per cent is fair. This makes up for the better discounts that stores get.

Tarlow: Professionals are looking now for higher than 40 per cent markups.

Lust: Forty to 45 per cent is a fair markup on men's softwear. For women's fashions, professionals look to a longer keystone markup (50 per cent) because of the more frequent mark-downs from the faster fashion cycle.

MacDonald: Thirty-three to 40 per cent is considered fair by professionals, but realistically the markup depends on the product.

Thatcher: I would like to see anyone operate a shop and staff on a 33 per cent markup. The multi-million dollar outfits should begin to revamp their thinking and remove the huge profits from their coffers and share with those who sell the products. □