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On paper it's ideal. Two hundred golf professionals each put up \$250, then reap the harvest of cooperative buying—stock options and dividends, better wholesale prices through volume discounts, increased profits for the professional, greater selection and service in the hard and soft goods marketplace and perhaps lower costs to the golfer. So why have cooperatives flourished in other industries, but failed to exist for any length of time in the golf industry?

Talk at the Professional Golfers' Assn. Merchandise Show in Florida indicates that an effort is again being made in several geographic areas to unite the bargaining and purchasing power of golf professionals. In this article we are not indicting or endorsing cooperative buying within the golf industry. Rather, we want to examine the intracacies involved in establishing, maintaining and supporting a cooperative made up of golf professionals.

A co-op would allow professionals in a region to band together pooling their resources, thereby receiving volume discounts and the pick of top quality merchandise along with better service from the manufacturer. Manufacturers don't object; instead of 200 separate billings, 200 separate shipments and 200 separate sales, they now have only one. They benefit by having lower selling, freight and handling charges and less paperwork. That's the theory behind golf co-ops.

Do the golf co-ops being formed today have the above principles in mind, or are they exceeding their capabilities by going into manufacturing, an area in which they have neither the expertise nor the knowledge?

There are so many misconceptions about the aspects of cooperative buying that it would be difficult to go into all of them in this article. Definitions differ on the Golf professionals have expressed renewed interest in forming golf cooperatives. Charles Byrket, vice president of Carnoustie Products, Inc., shares his experiences in organizing a golf co-op among Indiana professionals

by THE EDITORS

scope the golf co-op should take. Perhaps clarification into the nature of the beast, the concept of golf cooperatives within the industry as it exists today, and into the attitudes of the professional and manufacturer can be gained from a man who has witnessed, been a part of, and watched the demise of what was once the largest working pro shop co-op in the United States.

Charles Byrket, vice president of Carnoustie Products, Inc., golf merchandise specialists, relates his experiences with a group of Indiana professionals who formed a working golf cooperative during 1969. Although Byrket still believes strongly in the principle behind cooperative buying in the golf industry for professionals, perhaps some of his account can give greater understanding of the problems involved in forming a golf co-op.

Byrket got into the golf business the same way a lot of professionals did. He was a good amateur sticker in Indiana, and when a friend bought a golf course in 1962, Byrket leaped at the offer to become head professional. He soon discovered that he was unaware of some of the practices and "codes" of the golf professional. "Some of the things I had observed as an amateur player had no relation to being in the golf business," Byrket says. "At a privately-owned public fee course the job is not to direct club activities, but to direct the play. You're not as 'individual' oriented as a professional at a country club. The first thing I quickly learned was that I didn't know anything about the golf business and about the duties of a professional. For every 10 obvious duties of a professional, there are perhaps another 90 that go unnoticed by the members, but which must still be performed."

Byrket soon concluded, "the club professional is the most important single force in the golf merchandise world. He controls what he sells through his knowledge and years of experience by being able to exercise his professional judgement on the merchandise that he chooses to sell." With this in mind, Byrket began to formulate a plan for a golf cooperative.

1964

□ Byrket's program is discussed with area club professionals and the sectional PGA. "Everyone was waiting for the other professional to jump in," Byrket says. "Consequently, we got a lukewarm reception to start with."

1965

 \Box The program is discussed with a banker.

□ An attorney who specializes in cooperatives is retained by Byrket. "This was probably the most important step in the organizing of the company," Byrket says. "Without proper legal counsel we could not have proceeded. If we had proceeded without such advise we would have had serious legal difficulties with the state Securities and Exchange Commission.

□ Byrket studied the golf industry by talking to manufacturers, distributors, salesmen and other professionals to acquaint himself with all phases of the golf business.

1966-1967

□ Nine professionals in the Fort Wayne area agree to join with Byrket.

CO-OPS continued

□ Byrket now attempts to get the company incorporated.

□ Papers are filed with the state and with the Securities and Exchange Commission.

□ Professionals are notified that a co-op is being formed.

□ The company becomes known as Golf Professionals, Inc.

□ Meetings are held in the pro shop at the Indiana PGA championships to attract members. "I can't think of a worse place to hold a meeting," Byrket laughs. "Because I thought my idea had merit, I assumed the pro shop would be crammed with eager listeners when we announced the meeting. Instead, professionals kept coming in and out. Nobody signed up."

 \Box A meeting is held a month later. All professionals in the area are called. One professional shows up.

□ Byrket needs a securities license from the State of Indiana to sell stock. He goes to Butler University to get his license.

□ Nine professionals finally agree to each buy \$1,000 worth of stock. They initially put up \$250, with the remaining \$750 to be paid according to an escrow agreement with the bank.

□ Byrket writes a notice to 90 Indiana professionals regarding a meeting and outlining his plan. He is underwriting all legal fees because the company still has no money. Three professionals come to the meeting, none sign up. "The meeting was an unqualified disaster," Byrket says. "It was a long drive home."

□ Byrket calls on professionals individually in the evening. Meanwhile, he is still handling all duties at the club where he is head professional.

□ Byrket is allowed to present his program after the fall PGA section meeting is adjourned. "Of the 90 professionals in attendance," Byrket says, "when the regular meeting was concluded, 75 walked out. The only ones left were the ones connected with my program." No new signups.

□ In the meantime, word is getting out about Byrket's unorthodox idea. "The professional has 30 other people calling on him and they are telling him that my program has no chance," Byrket relates. "I don't blame them, I suppose I would do the same thing if I felt my security threatened."

1968

□ By now all of 16 professionals are participating in the program. It is decided that \$1,000 is too much money. They lower the price to join to \$250.

□ The structure and wording on the certificates have to be changed because of the price change. The stock issue has to be refiled with the state, the prospectus changed, subscription agreement changed as well as the escrow agreement with the bank.

□ A goal is set for signing up 50 professionals at \$250 each by September 30, 1968. By that deadline, 34 professionals have signed up. Thirty-one come to a meeting to decide the fate of the golf co-op. "We couldn't extend the time limit," Byrket says, "we had already been at it for almost three years and hadn't gotten off of the ground."

□ Participants form a golf company on October 1, 1968, called Golf Professionals, Inc. The bank releases funds in escrow to the company. The company has \$8,500, plus another \$4,000 pledged. The legal and accounting fees are paid. Another \$500 goes to pay for printing and stock certificates leaving a working capital to buy equipment of \$8,500.

□ Byrket resigns his job as head professional to take on full-time responsibilities of running the co-op. He receives no salary, only a percentage of the sales, or a commission.

□ The co-op makes purchases of specialty items, such as umbrellas, socks and tees. At no time do they approach any major company who already has its own system or method of distribution.

1969

□ Byrket borrows money personally from the bank to get more capital. "I had to have a friend co-sign the loan," Byrket says. "The bank would never give a loan to such a risk-type new company."

□ A drive is started to get 100 additional golf professionals into the program. Seven sign up. "We allowed professionals who had not joined the plan to take advantage of the merchandise we offered," Byrket says, "because the more everyone purchased, the more capital this gave us and the more profit the plan members made. Nonmembers who purchased equipment did not receive any dividends.

 \Box At the end of the year, the company had actually made a small profit and returned to each professional stock certificates and cash according to the amount they purchased.

 \Box Byrket takes a part-time job at a brokerage firm to help meet his expenses.

1970

□ At the Florida PGA show Byrket makes an effort to get an additional 50 members from Indiana. "With the 50 members, this would have given us an additional \$12,000. I think the board would have voted me a salary," he says. "That still would have been survival money."

□ At this time, Byrket and the board of directors decide to reduce their inventory and pay off their obligations. This included Byrket's personal bank loan. Byrket, not the company, owned the bank \$25,000. The merchandise is sold and all obligations are paid off on time. After this was done, a decision was to be made to continue or cease operations contingent upon plans for new financing. "Although we had proven the theory of the co-op in the golf industry sound," Byrket says, "we could not get the internal financing to get the company on a sound financial basis."

□ In July 1970, all functions of the company stopped. "We ended up the operations with a small bank balance and inventory," he says. "Although the professionals did not get back their \$250 investment, those who participated as they should, got a good return on their investment. At no time during the operation of the company did we not pay our bills," Byrket emphasizes. "I never ordered merchandise on the expectation of selling it, collecting the money and then paying the supplier. I paid only on delivery."

Was Golf Professionals, Inc., a success?

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"Yes and no," states Byrket. "We were a success in that we proved that a co-op is workable, feasible, practical and right if it receives the support of the golf professional. It provided a spark, a reason, a way to do some of the things that maybe the professional was looking for. As far as a corporate success, no," he says. "We had professionals who invested money, and when we went out of business they had a loss. On a financial, corporate basis, if you say that people put \$250 into a company and find out the next year that the company was out of business, and your \$250 is gone, well then on that basis we were not a success.

"If we could have been a successful company I think we could have got professionals to join. I've often felt that if," Byrket laughs as he uses the word for what seems like the 100th time, "Arnold Palmer would have started Golf Professionals, Inc., in Indiana we would have been a success, because the name Palmer is synonymous with success. I was a johnny-come-lately.

"I'd like to digress for a moment," says Byrket. "When I said the professional controls what he sells. I mean there is no golf company with the right of eminent domain in the golf shop. A golfer tells the professional he wants a glove. Chances are he doesn't say I need a black number two leather glove. The professional reaches up into the rack and selects the right glove for the golfer. The golfer doesn't question whether the glove has good stitching or English leather. You are buying the golf professional's experience and knowledge. If you buy a glove downtown," Byrket states, "you're going to take it out and examine it and ask questions about it that the salesman probably can't answer."

Returning to the co-op, Byrket sums up some of the problems of making a co-op work.

"The nature of the business is such that the golf professional has no backing or capital. He's usually on a one year contract, he's undercapitalized, has to borrow money and he's faced with all of the things that every small businessman today is faced with. When you think about the other pressures—higher prices, less margin of profit, discount stores and discount pro shops—the professional can be insecure and looking for something that will help him, such as the theory of the co-op.

"The very nature of the professional and the industry are the same reasons the co-ops in the golf business fail. The professional is an individualist, he doesn't want to commit himself on putting up capital before he gets merchandise, or ordering merchandise months in advance of when he needs it. It is convenient to just pick up the phone and call the distributor on short notice. He (the distributor) is the one who has had to take all of the risks. Although many of the gripes of professionals wanting to form a co-op are legitimate, such as poor service, tail end merchandise and high wholesale prices," Byrket says, "the professional in the co-op may have to follow the same practices he finds repugnant or inconvenient.

"You have to convince a lot of professionals to chip in a good deal of money and then say forget your investment. Your investment comes with lower wholesale prices and dividends at the end, of the year if the co-op makes a profit.

"Professionals in Indiana aren't any different from pros anywhere else," Byrket says. "The co-op has to be organized and run by someone who knows both sides of the business: legal, manufacturing, buying and the golf shop. There just aren't many professionals with the time to do all of the necessary work required to make a co-op a success. It's not a simple matter of buying and selling at the lowest prices or the bottom dollar. You have to set up your buying office, have someone handle buying, inventory, invoicing, payments, collections and other problems.

"If the golf professional wants a better markup or better service," Byrket says, "he has to do something to bring it about. He has to make up his mind quicker and help the representative or distributor out. He has to pay his bill and make his investment quicker. If he does that then he can take advantage of lower wholesale prices and volume discounts. Another misconception is the idea of volume discounts on pro-only golf equipment. They don't give them generally because there is great risk and competition in this market for a relatively select number of golfers. The professional who orders one dozen golf balls and the one who orders 100 dozen all pay the same price. Volume discounts can be gained in certain soft goods and related golf items. Some co-ops have indicated manufacturing their own clubs. Theoretically it's great. You can design the club yourself and then perhaps get it at the bottom dollar. But the capital investment is so great, the competition so fierce and the volume so insufficient that I would really question this venture from a capitalization standpoint.

"I've seen some of the projections of proposed co-ops," Byrket says, "and I wonder if they have adequate capitalization and competent legal counsel. I think some of the problems we faced will recur with these groups also."

Byrket's comments on the golf co-op should not be construed as sour grapes.

"I have presented our experiences to GOLFDOM in the worst possible light in the hope that some of our mistakes might enlighten other groups and golf professionals," Byrket says. "I am very proud of my association with Golf Professionals, Inc., and the professionals who had the guts to participate. Without their help, the program could not have been started at all." Although the benefits to Byrket were not monetary, the insight he learned into the golf co-op concept has given him a great deal of knowledge about the golf industry. "The more knowledge I gained about what we were doing, convinced me that the co-op concept had great potential in the golf industry with proper capital.

"If I would have known at the beginning all the things that were going to happen before anything started," Byrket says, "and the results, I probably would have forgotten the idea of cooperative buying. I just had enough ignorance and a dream to keep asking questions."