

# GOLFDOM'S GOLF INDUSTRY MARKETING & RESEARCH REPORT

Today's golf industry problems will definitely influence the future of this business. However, despite a slumping economy, golf operations are avoiding the red ink common to many industries nationwide.

Even with the gloom of Wall Street and Washington, for the pros, superintendents and club managers of America, things aren't all that bad. GOLFDOM's Seventh Annual Golf Industry Marketing and Research Report doesn't guarantee prosperity, but it doesn't signal depression either.

Using direct, intensive questions, GOLFDOM talked with personnel at 100 golf courses across the country. Questions covered the three fields of management, as the research effort attempted to factualize the economic atmosphere of golf business. A geographic sampling assured balance among all areas of the golf business community.

Hard facts will influence golf business in the days ahead. The equipment industry will probably take some severe casualties within its ranks, as smaller firms strive to compete in the marketplace. The smaller manufacturers face high prices for materials and will have to move their products faster to keep in step with the majors.

High prices for equipment, somewhat in parallel with the situation in the auto industry, was one of the major headaches for the pro in '74 and the problem is still around. With the advent of the Japanese market and its subsequent decline, some manufacturers geared up their production schedules to cash in on the foreign dollar. The bottom suddenly fell out of the Japanese market, leaving many manufacturers with a backstock of clubs and little hope of quick sales.

Along with the apparent sales de-

cline in equipment, another dilemma developed which can affect the future, the "pro-only" suit. A New Orleans golf retailer took some manufacturers to task on the selling of club lines to golf pros only and if the retailers should win the action, it could set a definite precedent in the industry. As GOLFDOM went to press this month, no decision had been made on the suit, but everyone in the golf business is keeping an eye on New Orleans to see the conclusion of one of the biggest stories of '74.

Pro difficulties accounted for only one major problem in the industry. Superintendents faced a year of confusion and uncertainty, wondering how the energy crisis would affect the related fertilizer industry. Prices rose alarmingly during the past season. The danger of fertilizer cuts could curtail superintendent practices on certain areas of the course.

Strong rumors indicated that nitrogen would be in short supply and the demand for more farm fertilizer might in some product areas affect the ability of the manufacturers to produce products for the golf course. Equipment also rose in price and delivery time was lengthened, as costs spiraled in that industry.

Club Managers were also involved in the inflation battle. Their problem was to hold the line against staggering costs in the dining room and at the bar. Inflation masked income increases. Departmental expenses were up more than 10 percent at most clubs, as food, rent, taxes and insurance increased.

Wages also presented a puzzle for the club manager, as the minimum wage went to \$2.10 an hour. Along with new wage requirements, questions about employment prac-

tices continued to cloud the picture, as the Department of Labor set up new guidelines for clubhouse personnel hiring.

In general, '74 presented some problems for golf business. The indications are that higher taxes and wages plus increased costs at all levels and the uncertainty of business itself, may continue into 1975.

Whether it was inflation or increased sales (difficult to ascertain), the pro shop received a sizable shot in the arm in '74. Gross sales increased.

GOLFDOM's projected finding for 1974 gross sales was a healthy \$304.4 million total up from a '73 gross of \$290.5 million. Nationally, pro shops grossed an average of about \$36,000. There were also some significant changes over the year and there will no doubt be a period of readjustment for the pro in his profitability evaluations.

For example, clubs are influencing the golf car operation more and the results are indeed a change, as far as the pro is concerned. In '74, 39 percent of the clubs gave the pro at least 50 percent of the rental fee. The balance of the pros receive less than 50 percent.

Even though the figures indicate a trend toward excluding the pro in the car operation, the fact is that 67 percent of the clubs that handle cars are including the pro in profit sharing. Some 56 percent of the clubs produce \$28,000 or more on cars each season. The standard fleet of cars for the average course was 33.

The pro's net income, after deductions, averages \$12,000. More than 60 percent of all pros are in this range. One-fourth of the pros are earning \$15,000 to \$25,000.

Where is the pro making or not making money? In GOLFDOM's sampling, the average gross income on irons was \$3,700. Income from woods averaged \$2,500. Putters are still a stable item in the shop. On the average, putter sales amounted to \$620 over the counter.

Utility clubs were another proven seller for the pro. Average sales were \$315 per shop. Bag sales were impressive in '74 with shops averaging \$1,400 per unit. As always, balls were the most popular individual product. Shops enjoyed one of their best years ever on this item with an average of \$5,700 per shop.

*What were expenditures for 1974 clubhouse improvements?*

Cost	Pct.
less than \$10,000	35.6
more than \$10,000	26.4
" \$20,000	19.5
" \$40,000	8.1
" \$60,000	1.2
" \$80,000	2.3
" \$100,000	6.9

*What is the manager's salary?*

Salary	pct.
less than \$7,500	20.0
\$7,500-\$10,000	17.9
\$10,000-\$12,500	17.9
\$12,500-\$15,000	9.5
\$15,000-\$20,000	24.2
\$20,000-\$25,000	7.4
more than \$25,000	3.2

*What were total gross receipts from food sales?*

Amount	Pct.
less than \$25,000	29.2
more than \$25,000	44.8
" \$75,000	13.5
" \$125,000	6.3
" \$175,000	0.0
" \$200,000	1.0
" \$250,000	5.2

*What were total gross receipts from liquor sales?*

Amount	Pct.
less than \$20,000	16.5
more than \$20,000	32.9
" \$40,000	17.7
" \$60,000	15.2
" \$80,000	2.3
" \$100,000	2.3
" \$120,000	9.4

*What is the percentage mark-up on liquor?*

Amount	Pct.
less than 30%	1.1
30%	41.0
40%	30.7
50%	14.8
60%	6.8
70%	2.3
more than 70%	3.4

*What is the percentage mark-up on food?*

Amount	Pct
less than 30%	3.1
30%	35.1
40%	34.1
50%	19.6
60%	4.1
70%	0.0
more than 70%	4.1

Softgoods, often referred to as the toughest items for most pros to merchandise, are steadily gaining as a part of the total shop income. Sales from men's apparel found 32 percent of the shops handling more than \$2,000 and an additional 20 percent pulling in more than \$3,500. The woman's market was slightly less with 25 percent taking in more than \$2,000 and 18 percent handling more than \$3,500.

Two major offshoots of the softgoods industry, shoes and gloves, both had good years at the cash register. Almost 60 percent of all stores did \$2,000 each in both shoes and gloves. Novelty items were another asset to the total shop income, although probably a minor one weighed against equipment. Average income from the survey shops on such merchandise was \$300.

The cost of materials and labor is climbing for the maintenance budget of the golf course. GOLFDOM's survey shows how higher costs and larger budgets have affected the superintendent.

Net growth in dollar expenditures for the 18-hole course has increased more than 67 percent since 1969. the average budget for an 18-hole course is now \$96,000 up from a 1969 input of \$65,000 that's a \$31,000 boost.

Average budget in '74 (18-hole courses) included \$4,440 for chemicals, \$6,323 for fertilizers, \$57,155 for labor, and \$10,279 for equipment. This compares to 1969 costs of \$3,000 for chemicals, \$4,700 for fertilizer, \$6,862 for equipment, and \$32,200 for labor. It represents a big increase.

A chart of yearly budgets for all size courses shows 20 percent of the superintendents operated within the \$25,000-\$39,000 category, 18 percent within \$100,000-\$124,000 and 16 percent in the \$75,000-\$99,900 range.

Most-owned items on the list of equipment include aerators, chemical applicators, mowers, dethatchers, chain saws and tractors. Aerators represented 55 percent ownership. Gasoline carts among superintendents edged out electric carts by a slim margin, with slightly more than half owning one or the other.

Biggest single cost item for maintenance is fertilizer at \$5,900. Next is fungicides, both contact and systemic, at \$3,900. Pre-emergent

*What is the salary of the course superintendent?*

Salary	Pct.
\$5,000-\$10,000	24.7
\$10,000-\$12,500	26.8
\$12,500-\$15,000	29.9
\$15,000-\$17,500	3.1
\$17,500-\$20,000	9.3
more than \$20,000	4.1

*Approximately, what is your yearly budget for course maintenance?*

Type	Budget
9-hole	\$32,558
18-hole	\$96,064
27-hole	\$145,000
36-hole	\$197,500
54-hole	\$237,500

*How much do you spend each year for chemicals for the course?*

Type	Cost
9-hole	\$1,130
18-hole	\$4,440
27-hole	\$6,340
36-hole	\$16,416
54-hole	\$8,250

*How much do you spend each year for fertilizer on the course?*

TYPE	Cost
9-hole	\$1,775
18-hole	\$6,323
27-hole	\$20,800
36-hole	\$9,169
54-hole	\$24,500

*How much do you spend on course labor?*

Type	Cost
9-hole	\$13,720
18-hole	\$57,155
27-hole	\$85,600
36-hole	\$109,875
54-hole	\$174,250

*In 1974, how much did you spend on course equipment, new and/or replacement?*

Type	Cost
9-hole	\$3,648
18-hole	\$10,279
27-hole	\$19,800
36-hole	\$26,500
54-hole	\$40,000

*What was the 1974 gross income from pro shop sales?*

Amount	Pct.
less than \$20,000	42.0
\$20,000-\$25,000	10.0
\$25,000-\$30,000	7.0
\$30,000-\$35,000	6.0
\$35,000-\$40,000	3.0
\$40,000-\$45,000	2.0
more than \$45,000	26.0





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crabgrass herbicides expenditure was \$1,200. The new averages represent at least 100 percent increases from the 1969 survey.

Final barometer of the superintendents situation is salary. Of those in GOLFDOM's survey, the largest percentage, 29.9 percent, said they made between \$12,500 and \$15,000. Superintendents in the \$10,000 to \$12,500 range salary range totaled 26.8 percent. And 24.7 percent reported earnings of \$5,000 to \$10,000.

The four major indicators of club manager operations are moneys spent for improvements in the clubhouse, the percentage mark-up on liquor and food, gross liquor and food receipts, and the salary of the club manager.

Eighty-seven percent of the club managers in GOLFDOM's survey said they made improvements in '74. Thirty-six percent said their improvements cost less than \$10,000; 27 percent spent between \$10,000 and \$20,000; 20 percent said their improvements totaled \$20,000 to

\$40,000; and seven percent said they spent more than \$100,000.

Forty-two percent of all club managers now plan improvements for 1975.

The percentage mark-up on liquor and food varies from club to club, but is a good barometer on the shifting economic scene facing the club manager. In GOLFDOM's survey, 41 percent of club managers said their liquor mark-up was 30 percent; about one-third said 40 percent; and 15 percent reported 50 percent. For food, 35 percent of the managers said mark-up was 30 percent; a third reported 40 percent; and 20 percent marked food up by 50 percent.

Gross receipts from liquor and food sales also vary greatly from club to club, but GOLFDOM's survey sets out a standard that managers across the country can use for comparison.

For liquor sales, 33 percent of the managers said they grossed between \$20,000 and \$40,000; 17 percent between \$40,000 and \$60,000;

and 15 percent, \$60,000 to \$80,000. For food, 45 percent grossed \$25,000 to \$75,000; six percent \$125,000 to \$175,000; and five percent more than \$250,000.

The largest percentage of club managers polled in GOLFDOM's survey, more than 24 percent said their salary was between \$15,000 and \$20,000. One-fifth earned less than \$7,500 to \$10,000; 18 percent said \$10,000 to \$12,500. Only seven percent said they made between \$20,000 and \$25,000; and three percent reported more than \$25,000. □



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*What is the pro's net income after cost, payroll, and other operation expenses are deducted?*

Amount	Pct.
less than \$5,000	19.0
\$5,000-\$7,500	21.0
\$7,500-\$10,000	8.0
\$10,000-\$12,500	13.0
\$12,500-\$15,000	10.0
\$15,000-\$20,000	14.0
\$20,000-\$25,000	11.0
more than \$25,000	4.0

*What was club's gross revenue from golf car rentals?*

Amount	Pct.
less than \$25,000	49.4
more than \$25,000	30.8
" \$50,000	11.0
" \$75,000	5.5
" \$100,000	3.3

*How many cars does your course utilize?*

Amount	Pct.
less than 20	42.5
more than 20	19.1
" 30	11.7
" 40	9.6
" 50	9.6
" 60	3.2
" 70	4.3

*If the course pro participates in golf car revenues, what is his percentage?*

Amount	Pct.
retains 100%	23.5
retains 75-90%	8.8
retains 50-74%	7.4
retains 25-49%	19.1
retains less than 25%	41.2

*What was the pro's 1974 dollar income from lessons?*

Amount	Pct.
less than \$1,000	39.6
more than \$1,000	28.1
more than \$2,000	12.5
more than \$3,000	6.3
more than \$4,000	13.5



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## Master Of Merchandise

It is rainy and cold this morning as Cincinnati wakes up to another day. The last thing you'd think anybody would be talking about in the dead of winter would be golf. But someone is.

A good two or three months before his peak playing time, Bob Foppe is patiently planning. Sorting carefully his proven routes, Foppe is preparing to move out merchandise that has yet to arrive in his pro shop.

Maybe one of the best merchandising pros in the country, Bob Foppe has logged 10 steady years at Kenwood Country Club, an attractive operation located on the city's northeast side. His expertise in his own field is backed up by his peers in the Southern Ohio section of the PGA, who recently elected him their pro of the year. Foppe is as good a student of merchandising, as he is a teacher. Lately, the latter has become his forte, turning out qualified assistant pros with the regularity of the seasons.

Maintaining price and service have been the two rules of Kenwood's shop under its current occupant. Foppe has mastered the art of giving his members a good price and is still able to show a profit in the shop year in and year out. Basing his philosophy on knowing his clientele, Foppe has maintained his edge as a buyer.

"It's imperative that the pro plan his buying power today. Selecting the right merchandise for the membership is one of the most important steps in making sales. It isn't hard to estimate the average income of the club and in this way you can pretty much anticipate what to buy.



"For example, it might be more advantageous to buy \$25 slacks instead of \$18 ones, based on the buying habits of the members. For the most part, you attempt to sell the member the exclusivity of the shop. If he sees merchandise priced the same at a retail outlet, there is a good chance that he might buy there and there goes a sale," Foppe said.

Attempting to buy for the entire year is another common mistake that Foppe feels a lot of pros make. Manufacturers come out with new merchandise several times during the year and if a pro is stuck with old goods, it's tough for them to stay current with the market. Patience is an important virtue to have in the shop. Often, if the buyer waits till later in the year to purchase, he may get lower prices on certain items from salesmen cashing in on a greater number of closeout opportunities.

Foppe maintains that the wise use of closeouts can aid in moving slow merchandise and at the same time help in turning over inventory quicker. For instance, closeout merchandise can be purchased at such low prices that a pro can offer "Two for One" sales and thus better the prospects of bringing more customers into his store.

Understanding these principles plus knowing the basics of business are essential in being successful, Foppe notes. "Many companies give extended terms on merchandise, simply because they would rather have their product out in the marketplace with a chance at being purchased. Another advantage to them is not having to pay warehousing costs," remarked Foppe.

Selling starts not only in the shop, but on the course, according to Kenwood's pro. New members need to be looked out for and by taking this initiative, the pro can eventually build up a trust between himself and the member. This can easily transfer to the pro shop and added sales. At Kenwood, Foppe feels it's his duty to make sure the new member is happy and content in their environment.

Offering a four-point plan for the new member, Foppe begins right off the bat to show that the club cares. At the core of the program is the pro's ability to arrange games for the new member. In this way, the

member doesn't have to worry about stimulating his own play and is introduced to other members right away. After the initial welcome, Foppe makes it clear to the member that he or a member of his staff will always be available for lessons. Although, he doesn't necessarily think of it as a profit item, Foppe regards club cleaning and repair an additional service that a pro should not disregard. "There is nothing more meaningful to a member than to see someone take the time to make sure his clubs are well taken care of.

"This is an important attitude that the shop staff must reflect. During the winter, when club storage is at its peak, there is time to take care of the member's clubs properly. Nothing is more appreciated by the member, than to come back after a long winter and see that the clubs in his bag are ready to play," Foppe commented.

Finally, Foppe tries to keep up on other places to play in areas that his membership could visit for business or leisure reasons during the year. While teaching golf in schools in several areas of the country, Foppe meets other pros and gathers information on their courses. Keeping a file of the different spots around the country, the pro can aid his membership on where to play on their different trips.

Besides these services there are a variety of ways to keep the customers happy. One promotion that worked quite well at Kenwood was a tournament sponsored by the local distributors of a national distillery. Since these companies do a lot of business with the club, Foppe inquired about the possibility of the distributor putting up the prizes in a weekly tourney.

A case of the liquid refreshment was put up along with other prizes and a \$2 entry fee was charged for each participant. This type operation is an example of the pro shop running a profitable tournament for itself. Since the distributor put up the prizes, that was one less worry for the head pro and in the same regard the distributor did some public relations work for his product.

Cooperation pervades the Kenwood atmosphere. Foppe has

good rapport with his club manager and superintendent. This is illustrated in the golf car operation. Although, Foppe's shop doesn't get a percentage of the car business, he acts as a middleman between the membership and the superintendents staff, who service the cars. "Our part of the club sees the car user every day. We find out the complaints on the vehicles and turn them into the superintendent. I realize that the car is another extension of the club's service. They help create an attitude," Foppe explained. Cars are indeed an intricate part of the Kenwood facility, since the course offers 100 percent car paths, never losing a day of play in wet weather.

Times are changing for the pro and Foppe is the first to admit it. As the face of the game and its economy alter, the subsequent income of the pro will be readjusted. Looking over his entire intake individually, Foppe has 50 percent of his total divided equally in shop sales and club repair. A combination of club subsidy for related help and salary make up 30 percent, while 10 percent each is set in lessons and miscellaneous, such as speaking engagements, rounding out the remainder.

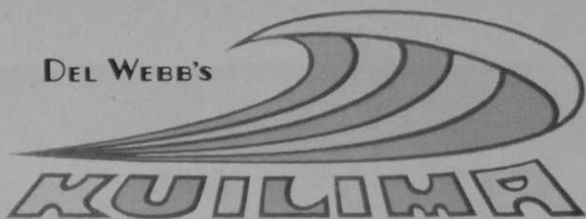
Continually maintaining his service theory, Foppe reasserts that the principle is the first order of business in his pro shop. "One thing that the pro has to do to be successful in this business, is be more conscious of his member's game than his own. Too many pros are concerned with their own play and then can't figure out why they suffer at the cash register. A decision has to be made whether a pro is going to be a golfer or a merchandiser. You can't have both."

When one of his own assistants ventures out into the world on their own, Foppe is there with some advice and some needed inventory. Some accumulated knowledge and a little extra merchandise can better the odds for the young pro starting out.

Unselfish with his own thoughts on business, Foppe is ready to help any friend with a new idea or an old one. Ideas are whirling in the dead of winter in Kenwood's shop, as patient planning awaits the spring onrush of customers. □



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