

# **Golf Retail Operations**

*This section, contributed by the Association of Golf Merchandisers (AGM) contains important components necessary to make your golf retail operation profitable. This is just an overview of what is required. More detailed information can be found in the AGM Merchandise Manual. For information on how to obtain a copy of the Manual, golf merchandising statistics, a list of golf merchandising consultants, hiring a merchandiser, presentation of a golf merchandising seminar to your personnel or other golf-retail related information, contact:*

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## Golf Retail Math: The Basics

It is necessary to understand some basic elements of retail math to successfully plan your golf shop's inventory, sales and profits.

1. Calculating Profit and Loss. The basic formula is:

$$\begin{array}{r} \text{Sales} \\ - \text{Cost of Sales (cost of goods sold)} \\ = \text{Gross Margin (gross profit)} \\ - \text{Other Expenses (such as payroll, supplies, utilities, etc.)} \\ = \text{Net Profit (return on your investment)} \end{array}$$

2. Cost of Sales Percentage: A good measure of your golf shop's profitability is its cost of sales percentage. The lower the cost of sales percentage, the higher the profits. Industry benchmarks for average cost of sales percentages range from a low of 55.5% at resort golf shops to a high of 68.8% at golf shops at private country clubs. See chart on page 14 for AGM member sales statistics.

**Example: To compute your cost of sales percentage, divide cost of sales by sales:**

<b>Cost of Sales</b>	<b>\$300,000 (at retail)</b>
<b>Divided by</b>	<b>÷</b>
<b>Sales</b>	<b>\$500,000 (at retail)</b>
<b>Equals Cost of Sales Percentage</b>	<b>60%</b>

3. Markup: The difference between the wholesale cost and the original retail price. Generally, golf equipment receives a 20-30% markup, apparel receives at least a 52% markup, while some accessory items receive a considerably higher markup. For example, a looged ballmarker that cost 67 cents might easily retail for \$4.50.
4. Markdown: Any reduction in retail price that is required when customers will not pay the original retail price. Markdown merchandising is a 12-month, 52-week responsibility!

**Recommendation: The Association of Golf Merchandisers recommends a 90-day markdown policy.** That is, items not sold within 90 days of original receipt should be marked down to clear the items from stock. Markdowns should be taken year round and tracked accurately by vendor. High markdown vendors should be replaced with more profitable vendors for the proceeding season.

5. \$ Per Round: An analysis to demonstrate the relationship between sales and the number of persons who play golf at your facility.

**Example: To compute, dollar-per-round, divide sales by rounds.**

<b>Sales</b>	<b>\$500,000</b>
<b>Divided by</b>	<b>÷</b>
<b>Rounds Played</b>	<b>50,000</b>
<b>Equals Dollar-Per-Round</b>	<b>\$10.00</b>

Industry benchmarks for average dollar-per-round range from a low of \$11.85 at "public" golf facilities (daily fee, semi-private, municipal) to a high of \$20.46 at golf shops at resorts. See chart on page 14 for AGM member sales statistics.

6. \$ Per Square Foot: An analysis to demonstrate the relationship between sales and the number of square feet of available selling space.

**Example: To compute dollar-per-square-foot, divide sales by shop square footage.**

<b>Sales</b>	<b>\$500,000</b>
<b>Divided by</b>	<b>÷</b>
<b>Shop Square Footage</b>	<b>1500</b>
<b>Equals Dollar-Per-Square-Foot</b>	<b>\$333.33</b>

Industry benchmarks for average dollar-per-square-foot range from a low of \$358 at shops at private country clubs to a high of \$548 at golf shops at resorts. See chart on page 14 for AGM member sales statistics.

## Merchandise Planning

The merchandise planning, or budgeting, process consists of:

1. **Forecasting sales by classification** (merchandise categories such as shirts, shorts, headwear, irons and balls) for each season or year.

A sample merchandise planning form, by classification, for a daily fee golf shop is provided on the next page. Your planned sales should be based on:

- Last year's actual sales and rounds.
  - Plus or minus any anticipated changes for the coming year. For example, will your facility host more or less tournaments and outings this year compared to last year? Are you planning more sales events/promotions (advertising, direct mail) for Father's Day, Mother's Day, Christmas? Is there increased competition from other golf facilities or off-course stores in your area?
2. **Determining inventory levels and deliveries by classification** for each month. The amount of beginning inventory for the season or year should be adequate to cover anticipated sales for approximately the first 90 days. Ending inventory should be low enough to prevent excessive markdowns during the last month of the season.
  3. **Monitoring open-to-buy monthly**. Simply stated, "open-to-buy" is the amount of money you have each month to spend on new merchandise that will bring your inventory level to the planned amount.

In other words, once you have planned your sales and inventory by classification, you need to determine, at the beginning of each month:

- **If** new merchandise purchases are needed in any classification. If so, how much should you order and when should it be delivered?
- **If** you need to cancel merchandise that is on order or push delivery to a later date.
- **If** you need to markdown slow-moving or end-of-season merchandise.

Open-to-buy planning can be done manually for small shops (using accounting ledger sheets) or by computer using a spreadsheet program such as Excel or Quatro Pro. Several companies offer open-to-buy planning software programs for purchase. Another company offers merchandise forecasting consulting services (you input the inventory numbers by classification, they analyze your numbers each month and tell you if you are overbought and underbought and in what classifications). If you are interested in an up-to-date open-to-buy resource list, contact the Association of Golf Merchandisers.

## Sample Merchandise Planning (Budgeting) Form

*(The figures shown here are a sample and should not be used as your planning guide!)*

<b>Department/Classification</b>	<b>Planned Sales \$ (at retail)</b>	<b>Planned Sales/Inventory %</b>
Men's Shirts	\$100,000	20%
Men's Sweaters	20,000	4%
Men's Slacks	10,000	2%
Men's Shorts	20,000	4%
Men's Outerwear	20,000	4%
<b><i>TOTAL MEN'S</i></b>	<b>Total Men's \$170,000</b>	<b>Total Men's 34%</b>
Women's Shirts	\$ 30,000	6%
Women's Sweaters	10,000	2%
Women's Slacks	5,000	1%
Women's Shorts	10,000	2%
Women's Outerwear	5,000	1%
<b><i>TOTAL WOMEN'S</i></b>	<b>Total Women's \$ 60,000</b>	<b>Total Women's 12%</b>
Woods	\$ 25,000	5%
Irons	22,500	4.5%
Putters	5,000	1%
Wedges	2,500	.5%
Balls	65,000	13%
Bags and Accessories	25,000	5%
<b><i>TOTAL HARDGOODS</i></b>	<b>Total Hardgoods \$145,000</b>	<b>Total Hardgoods 29%</b>
Headwear	\$ 55,000	11%
Gloves	25,000	5%
Shoes	25,000	5%
Gifts	20,000	4%
<b><i>TOTAL MISC</i></b>	<b>Total Misc \$125,000</b>	<b>Total Misc 25%</b>
<b><i>TOTAL PLANNED SALES</i></b>	<b>\$500,000</b>	<b>100%</b>

## Inventory Control

**The most important component of a profitable golf retail operation is inventory control.** By that we mean bringing in just the right amount of inventory at just the right time. As mentioned in the previous section, Merchandise Planning, at the beginning of each month you need to determine if, when and how much new merchandise you need to bring into the golf shop.

The biggest reason why golf pro shops are not profitable is because too much money is tied up in too much inventory. What are the biggest causes of too much inventory?

- Overbuying
- Increased competition
- Late deliveries
- Incorrect buying
- Local recession
- Adverse weather conditions

To avoid an overbought, over-inventoried situation, you need to focus on two things: Turnover and Stock-to-Sales Ratios.

1. Turnover: The number of times an average retail inventory is sold within a given period of time, usually a year.

**Example: To arrive at turnover for the year, divide the total sales for the year by the average inventory:**

Sales	\$500,000 (at retail)
Divided by	÷
Average Inventory	\$125,000 (at retail)
= Inventory Turns	4

**Recommendation: The Association of Golf Merchandisers (AGM) recommends a turnover rate of 2 times per season (approximate 6 month period) or 4 times per year.**

Faster turnover rates occur with lower average inventory and result in increased profitability.

2. Stock-to-Sales Ratio: A calculation that reveals how long the amount of stock (inventory) on hand will last if sales remain constant. *Most golf pro shops carry two to three times more inventory than necessary.*

**Recommendation: The AGM recommends that your stock (inventory) should equal no more than you will sell during the next three months.**

### **Checklist of what to do if your inventory level is too high:**

- ® Evaluate every purchase order. Do you really need that merchandise? Do you need that many? Do you need it when it is scheduled to arrive or should you delay it?
- ® Check your stock-to-sales ratios in each classification. Can you do with less?
- ® Prepare an aged inventory list. Unlike wine, merchandise does not get better with age. Identify and clear out seasonal merchandise and anything over a year old, with the exception of basics. Convert those dogs to cash! Have a clearance sale, employee sale.
- ® Clean out your stock room. Send back any damaged items for credit, or even better, for a refund!
- ® Reward staff for increasing sales. Teach, eat, sleep, breath suggestion selling.

**Physical Inventory.** This is the actual counting and listing of goods in stock at a given time, together with the cost of each item. Taking a physical inventory is one of the most important aspects of inventory control, planning and profit.

How often should you take a physical inventory of your golf shop merchandise?

**Recommendation: The Association of Golf Merchandisers recommends golf shop physical inventories be taken monthly or quarterly. Timing depends on the accuracy of your computerized/book inventory systems in place. Shrinkage-sensitive and high value merchandise should be inventoried monthly for loss prevention.**

## **Buying Strategies and Tips**

There is so much excellent merchandise in the golf marketplace, it's difficult to make incorrect choices. However, if you want to maximize your shop's profitability, follow these strategies and tips:

1. Understand your customers. Who are they? What type of merchandise do they want? At what pricepoints will they buy? What sizes, colors, styles, brands? If you don't know the answers to these questions, give or mail your customers a questionnaire. A sample is

contained in the AGM Merchandise Manual.

2. Buy for your fixtures. Bring photos to golf shows and apparel markets. Know how many, what type and how many units each fixture will carry.
  - **Warning:** Do not plan to simply fill all of the available space with merchandise. If you find more merchandise is required to fill space than a sound inventory plan would require, some of the space must be used for displays and broader aisles.
3. Create a smart vendor structure. Choose 2-5 "core vendors" and make a statement with those brands. Your core vendors want to help you make money. Partner with them on:
  - Co-op advertising, signage, free logoing, display fixture programs.
  - Stock program in basics.
  - Additional dating, discounts.
  - Trunk/fashion shows and product demonstrations at your club.
4. Bring in smaller quantities of fresh new merchandise frequently.
5. Observe industry trends. Attend at least one major golf show and one apparel/gift market each year. Read trade publications. Communicate with fellow golf merchandisers and attend seminars, such as those sponsored by the Association of Golf Merchandisers.
6. Look for profit-builders such as closeout or off-price merchandise, private labeling, custom items, regional crafts, gifts, unusual items, accessories/add-ons and small impulse items that warrant a big markup. Take advantage of discounts offered through the NGCOA Smart Buy program.
7. Test new product in small quantities. If your customers don't like it, you haven't lost a fortune. If they love it, you can always reorder.
8. Buy the product, not the sales representative.
9. Write your own orders.
10. Specify delivery windows (a definite period of time to accept merchandise). This is designated by a start and stop shipment date. You need not accept merchandise not shipped on time or complete.

**Delivery Window Example: Start date - 1/1/02 Complete - 1/31/02**

11. Carefully check incoming merchandise against the original order. Make sure your orders are shipped complete. Check for substitutions, damaged merchandise, incorrect sizes or logos. Immediately make arrangements with the vendor(s) for returns and refunds.
12. Price all merchandise and get it on the floor as quickly as possible.

**Recommendation: The Association of Golf Merchandisers recommends that all merchandise be checked in, entered in inventory, tagged, steamed (if apparel) and displayed on the selling floor within 24 hours of arrival.**

## **On-Site Buying Checklist:**

### Preparing for the sales call:

- ® Review last year's sales figures. Examine sell-through of product.
- ® Observe value-added services given such as discounts, dating, off-price opportunities, co-op advertising, signage, etc.
- ® Observe problems, such as back orders and late shipments, and how to resolve them for the coming year.

### Meeting with the sales representative:

- ® Be punctual.
- ® Find a comfortable place where distractions and interruptions can be avoided.
- ® Share the vendor's last year performance with the sales rep.
- ® After reviewing the product line, ask the sales rep to put the collection together as the customer would purchase it. Find a key or pivotal piece and work the collection around it.
- ® As the line is reviewed, assign a retail value to each item. Would your customers purchase this item at the assigned retail price? If you feel you cannot reach your markup objectives (full retail value), do not purchase the items.
- ® Try to envision the merchandise in your store. Some questions to ask include:
  1. Who is the customer for these items?
  2. When will it be delivered?
  3. How is it going to look?
  4. Where is it going to be/what fixtures?
  5. With what other lines will it be merchandised?
- ® While the representative is present, review your event calendar for the year. Schedule appointments for trunk shows, sales seminars and product demonstrations.

## **Golf Show/Market Preparation Checklist**

### Pre-Plan:

- ® Review industry publications for trends: fabrics, fabrications, colors, styles.
- ® Check inventory for reorders.
- ® Identify fast moving classifications and trends in your current inventory.
- ® Check your Merchandise Plan. Know how much money in each classification you have to spend.

### Pre-Set Appointments:

- ® Allow time to walk the Show or Market.
- ® Make core vendor appointments to help structure your buy. If time is limited, get core vendors to highlight their lines.
- ® Set appointments by classification to make product comparison and features/benefits easier to analyze.
- ® Set appointments by geographic area to eliminate walking time between appointments.

### Walk the Show:

- ® Look at the total picture by taking time to shop and interpret the market.
- ® Identify trends, look at direction changes such as colors, silhouettes, classifications.
- ® Evaluate the merchandise for its ability to cross vendors. This will maximize sell-through and extend the retail life of the product.
- ® Think of how customers will react to these changes in the marketplace.

## Shop Layout and Visual Presentation

To maximize your golf shop's sales potential, attention must be given to the store environment -- how it looks (outside and inside), smells and even sounds. Following are some statistics, guidelines and ideas to make your shop inviting and keep customers coming back.

**Layout Strategies:** The physical layout and pathways of your shop should be designed to take advantage of known customer movement patterns.

- **Prime Real Estate:** The front third of the shop is your primary "real estate." Merchandise placed in this portion of the shop will get the most attention by customers.
- **Swamp Land:** The rear one-third of the shop is your "swamp land." Notice how grocery stores place milk in the rear of the store to attract customers through the entire store.
- **Consumer Behavior:** 80% of customers turn counter-clockwise as they enter a store. This makes the right front entrance of your shop most important.
- **Shop Horizon:** When considering fixture layout, arrange lower profile fixtures in the front of the store, graduating to higher elevations in the rear. This will allow your customer a much clearer overview of the golf shop. If customers can see the merchandise displayed as they enter, it's easier to draw them into the shop.
- **Departments:** To make it easier for customers, your shop should be divided into departments: ladies, men's and equipment. Use fixtures to separate one department from another. Situate the ladies' department closest to the dressing rooms. Sale racks or tables should be placed in the back of each department to avoid disrupting the flow or look of the store front.
- **Proper Traffic Patterns:** A good traffic pattern doesn't have to be complicated. Start with the basics. What do your customers want most? The obvious answer is to play golf. If possible, locate the service counter to the rear of your shop.

**Visual Presentation:** There are three elements to an effective visual display:

1. Merchandise: Showcase new arrivals, slow-moving items to generate interest/sales, or pick up a holiday or special theme for a tournament or other event.
2. Signage: Signs should call attention, give direction and inform the customer about the merchandise. Signs should be uniform and printed (not hand made).
3. Props: Use props to attract attention to the merchandise. Keep them simple, alive and uncluttered.

### **Visual Display Tips and Ideas**

- Utilize 1 mannequin or form per 100 square feet of selling space. Mannequins allow you to show complete outfits to entice the customers to buy more than one item.
- Floor changes (rearrangement of floor units, wall fixtures and merchandise departments) should be scheduled once every 4 to 6 weeks. Rotation gives the golf shop a fresh new appeal and maximizes exposure of product.
- Merchandise displays (in windows, entryway, counter tops, ends of faceouts, tops of fixtures) should be changed as often as needed, at least once a week.
- Displays at the ends of aisles should be large and designed to attract customers with special pricing. They compel customers to make unplanned purchases along the way.
- Organize apparel by collections, color (light to dark), sizes (small to extra large) and sleeve length (from the least amount of fabric to the most).
- All hangers should be of uniform material (all wood or all plastic). Hanger necks should face in one direction -- to the left. The hanger should form a question mark.

## Merchandise Sales

You can be the most imaginative and attentive buyer in the business but if the merchandise you bring into the shop is not sold, your expertise and effort will be wasted. It is, therefore, imperative, that a schedule of planned promotions be created at the beginning of each season or year and that the entire golf shop staff is trained and motivated to sell.

**Pre-planned sales promotions and events:** These might include:

- Specialty clinics or seminars
- Demo days
- Fashion and trunk shows
- Golf tournaments and corporate outings
- Seasonal promotions such as Father's Day, 4th of July, Christmas
- Clearance sales and discount coupons

For each event, make sure:

- All staff members know about the event.
- Sufficient merchandise will be on the selling floor for the event.
- Customers have been given plenty of advance notice about the event thru direct mail, club newsletters, newspaper ads, club website/email, signage, events board.

**Selling Techniques:** Effective selling involves the following eight steps:

1. Prepare for the sale. Know the merchandise, its benefits and features and where it is located on the sales floor.
2. Greet the customer. Let the customer know you are aware he or she is there and you are willing to help. Ask open-ended questions such as, Did you have lunch with us today? How was your game today? What did you shoot?
3. Discover the customer's needs. Why did he or she come into the shop? Is this a purchase for you, a gift or a special occasion? Do you have a price range in mind?
4. Present the product with words and action. Invite the customer to handle the merchandise, try it on or try it out. Demonstrate the product whenever possible.
5. Overcome objections. If you sense hesitation, ask questions. Find out why the customer is objecting.
6. Close the sale. To make the sale, all you need to do is ask.
7. Create multiple sales. Make suggestions for items to compliment the purchase.

8. After the sale. Follow through is critical to create repeat customers. Keep a client book or file of "Preferred Customers." Write a thank you note.

## How Does Your Golf Retail Operation Measure Up?

Assess your golf retail operation by answering these questions:

1. What were your total golf shop merchandise sales this past year? \$ \_\_\_\_\_
2. What were your cost of sales this past year? - \$ \_\_\_\_\_
3. What was your gross profit? (Sales minus cost of sales) = \$ \_\_\_\_\_
4. What was your cost of sales percentage?  
(Cost of sales divided by sales) \_\_\_\_\_ %
5. What was your dollar per round? \$ \_\_\_\_\_
6. What was your dollar per square foot? \$ \_\_\_\_\_

## Golf Merchandise Sales Statistics

Each year the Association of Golf Merchandisers surveys its members to collect important statistics relating to average total sales, average dollar per round and average dollar per square foot. The 2000 year-end statistics for on-course golf shops are as follows:

### AGM Member Survey - 2000 Year-End Statistics

	<u>Private</u>	<u>Public</u>	<u>Resort</u>
Number of rounds played	37,228	48,796	43,585
Shop square footage	1362	1479	1629
Gross merchandise sales	\$488,000	\$578,000	\$892,000
Average \$ per round	\$13.09	\$11.85	\$20.46

Average \$ per square foot	\$358	\$391	\$548
Cost of sales percentage	68.8%	59.4%	55.5%