

SECTION



SETTING THE RIGHT COURSE

Chapter 1 – A Successful Horse Business	3
Chapter 2 – The Customer in the Market Place	11
Chapter 3 – Quality	22

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CHAPTER

1

A Successful Horse Business

INTRODUCTION – THE INGREDIENTS OF SUCCESS

Horse businesses may be small or modest, others will be big or grand, yet all aim for success. Success has a good feel to it, yet it is hard to define. One can spot indicators such as happy staff and customers, contented horses, well-presented facilities and a business that thrives and endures. Yet, in the horse world, businesses do not all come out of the same mould; each one is unique.

In cooking, in spite of having the recipe and the ingredients, there is no guarantee of a fine-looking and delicious result. The cook or chef brings skill and experience of procedures and techniques. The successful ones achieve results which are not only of a high standard, but also have the flair and individuality which customers seek.

A horse business is similar; by using proven methods and then adding individual feel and acumen, the chances of success are much increased. Later chapters in this book examine the ingredients, but what is the desired end result? What is it that hard work, determination and flair are hoping and needing to achieve? This chapter answers these questions; it also examines common characteristics of horse businesses, the business environment and the challenges facing horse businesses.

DEFINING SUCCESS

There are certain things the successful horse business must achieve such as long-term profitability, a sound customer base plus consistently good customer experiences.

Profitability

‘For the business to survive, grow and respond to market conditions a position of profitability must be reached as soon as realistic’. To examine the above statement closely, there are two key words that need to be understood: profitability and realistic.

‘Profitability’ is the position reached when the business income exceeds the business expenditure, thus leaving money which is the actual profit. This is distinct from

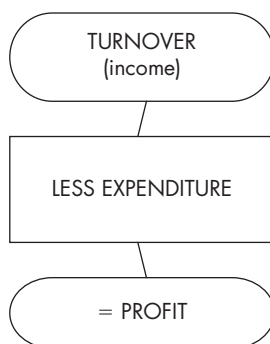


Figure 1.1 Relationship between profit and turnover.

another word often confused with profit, ‘turnover’, which is simply the total amount of income the business has generated without taking off the expenses, as illustrated in Fig. 1.1.

The other key word is ‘realistic’, and the meaning here is that any new business cannot be expected to reach profitability immediately; it takes time to establish a customer base and gain a foothold in the market place. The business plan will have an allowance for the time it takes to achieve this, and any supporting institution such as a bank, by accepting the business plan, will acknowledge that initially the business may make a loss or just break even (when income equals expenditure). However, there is no room for complacency and businesses need to be into a profit situation within 2–3 years normally. A break-even position will not be enough in the long term, as in order to survive the business will need profit to reinvest and grow as continual break-even will eventually lead to decline.

Customer Base

Whatever the type of horse business, success will be dependent on having a customer base; it is these who will generate the income and allow the business to function by keeping the money flowing through the business day to day. The two key indicators of success that the business should strive for are a positive feedback and a growing customer base. The customer base is found by market research; it is expanded by well-targeted promotion.

It is important that the business understands its customers and gets to know them. Learning where to find new customers and how to get the message to them, then listening to what they actually want is vital; often insufficient time and energy is given to this. (Marketing is considered in detail in Chapter 7.)

Quality Experience

This term is increasingly mentioned in modern business management. This is the notion that the customer base and the positive feedback are largely determined by the quality of the experience that customers have. This is everything from how initial enquiries are dealt with, the welcome onto the yard, and perceived value for money, to the standard of instructors and horses. The standards of welfare and safety, and the

presentation and efficiency of the business are generally critical. In summary, success is largely determined by the quality experience which is itself every type of contact the customer has with the business. In order to be successful, the business will need to be aware of and actively influence the customer experience to ensure it is of the highest possible standards and quality. Remember a satisfied customer may tell a few others but a dissatisfied customer will tell everyone they know!

The term value is also extremely important; if customers believe they have got a good experience or product at a fair price, they will perceive it as good value for money. A business identified as offering good value will have in place another important part of the foundations for success.

SAFETY AND LEGALITY

A horse business will struggle to be successful if it does not ensure it has a culture of responsible safety management and meet all of the legal requirements. Horse activities carry a degree of risk and there is a much higher awareness of this by today's customer base. If a business has a reputation of not being responsible and safe, this will inevitably lead to a decline in customers and trade. A culture of litigation exists today, and horse businesses need to ensure they take every reasonable precaution to ensure the safety of staff and customers to protect against this. A sign of success will be a low number of accidents or incidents plus measures in place to reduce the risk of them recurring again. 'Health and safety' attracts much discussion, press and worry within the horse industry. Chapter 4 will aim to show that by taking straightforward steps, health and safety can be managed practically and comprehensively without too much difficulty.

Meeting all the legal requirements such as licensing and insurance will also be needed to allow the business to succeed and avoid bad press, due to a problem in either of these areas. These two aspects are dealt with in Chapter 5.

EQUINE STANDARDS

It is easy to get lost in all of the above business measures of success and lose sight of the one thing that they all revolve around – the horse! A business will certainly not survive today if it fails to pay attention to business factors. However, customers and industry professionals will inevitably also judge a business on the standards of equine care and performance. They will consider standards of horse training, horse welfare and health, the standards of horse accommodation and pasture management, and the general presentation of the facilities. A yard that has healthy-looking horses in every box and with horses going well in the arena creates a powerful image and immediately builds up a perception of success. To have these equine standards could be argued as obvious; however, this is not always the case and they need to be created and used as a promotion point. Certainly they can be a strong indicator that a particular horse business is run with care, pride, knowledge and skill.

VISION AND LEADERSHIP

Throughout history, people have always followed and rallied around a flag. Both Nelson and Wellington understood this powerful symbol of the entity they were working,

competing and fighting for. A horse business will stand more chance of being successful if there is a vision, the business equivalent of the flag. If the business has a clear vision, it will have direction and thus purpose. The staff and customers will know exactly what they are working for and being a part of. The vision sets out what the business is trying to achieve and its way of working; this can be re-enforced through staff meetings and communications within the business and it should become a part of the culture of the business which rubs off on all involved with it. Good leadership will create a vision and get all the stakeholders of the business believing in it through the management and leadership strategies. 'Stakeholders' is a term that will be used a lot through the book and basically means all those that have an interest in the business through owners, managers, employees, customers, suppliers, competitors and so on.

Certainly the existence of a clear vision which is well led and communicated would be another key indicator of whether a particular horse business is successful.

ENTREPRENEURIAL FLAIR

A number of parameters have already been mentioned which could be used to define success. Perhaps less tangible, but equally of importance, would be that individual flair added to the recipe. In an increasingly competitive climate, horse businesses have to work harder than ever to prosper, especially as horse businesses have high capital and running costs to recoup. The business can be entrepreneurial in different ways; it could be through operating a number of different enterprises within the business; these are mini businesses within the main business, such as a riding school also offering livery, bed and breakfast and some shows or trekking, for example. These would give more chance to widen both the customer base and the business profile; also they will increase turnover.

Flair and enterprise could also be evident in:

- innovative marketing campaigns to attract new custom;
- products available for sale when customers visit;
- formation of a club or social element;
- doing something different which attracts interest and ultimately business.

A leadership with a good entrepreneurial approach will be aware of the latest industry trends and be able to respond to them quickly and to capitalise on them as much as possible.

Another element of this section is individualism, also known as differentiation. This is the concept that by coming up with some different approaches, enterprises and business ideas, it is easier to carve out a niche in the market and be one step ahead of the competition; this will give customers an added incentive to utilise your business. The differentiation could be through the range of enterprises, the quality of the service or product, the pricing or additional extras and services built in, such as after-sales service or future discounts.

As an indicator of long-term success, a business that has this cutting edge and dynamic feel to it will certainly be much better placed to stay ahead of its rivals.

HUMAN RESOURCES

The most valuable asset of the business is the staff. With good leadership and vision, the staff can set the tone of the whole business. The customers will warm to a business

with staff who have the right approach and inspire confidence. The staff deliver the customer experience, achieve quality and can make or break the business. The owner and/or manager in a successful horse business will have:

- ensured the staff know what the business is trying to achieve;
- installed high standards of discipline;
- fostered a high work ethic;
- created a positive attitude in the staff.

This does not happen by chance. It is the result of hard work by the leadership, who will have to support and train staff and make them feel valued and ultimately enjoying and understanding their role in the business; this will transmit to the customers. Employment is considered in Chapter 10.

A well-run office, backing up the staff, will also create the right image with the customers and give off the right signals that this is the business to deal with. An air of efficiency and professionalism through the office to the staff is another key building block to ensure success.

MARKETING

It must be stressed that these factors determining success are in no significant order, as marketing which is the last to be mentioned is certainly as important as the others. In fact, marketing is often cited as the most important element to get right. This is because marketing is all encompassing; everything that has been touched on so far is a form of marketing; every thing the business does affects and is affected by marketing. Marketing is far more than placing some adverts in the local paper; it is absolute and every second of every day the business is marketing itself, whether it be the presentation of the yard, the dress and attitude of the staff, the turnout and standard of horses, the instruction or experience, the welcome and efficiency of the office, running to time, the advertising, and the quality and value for money of the service offered; the list is endless and is everything. Chapter 7 looks at marketing in two key areas: that of market research, to help establish who the customers are and what they actually want, and that of marketing strategy (what the business can operationally do to increase profile and trade).

COMMON CHARACTERISTICS AND TRENDS OF HORSE BUSINESSES

Whilst all horse businesses are individually unique, there are a number of common characteristics that they follow, as illustrated in Fig. 1.2. In order to generate new business, some horse businesses utilise their facilities to run more enterprises such as livery, lessons and hire of facilities; this is needed to counteract higher running costs, including the high labour costs from more traditional equine labour practices. The facilities tend to be high maintenance, affecting both cost and amount of labour required. Horse businesses are service (customer) orientated which means they generate the majority of their income from providing a personnel service to customers rather than producing a product, as a factory would do (product orientated).

Whilst no means exclusive, these are common characteristics which also represent challenges for the owner/manager through to the staff.

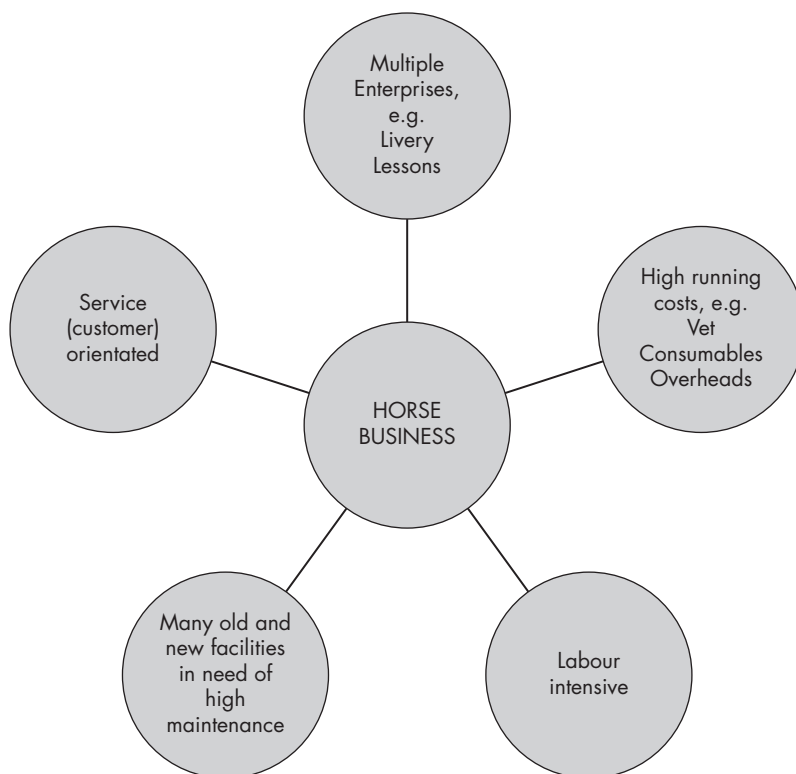


Figure 1.2 Common characteristics of horse businesses.

These characteristics have led to some common trends developing, as illustrated in Fig. 1.3. These characteristics and trends are interwoven. The trends have developed to help respond to these characteristics. For example, labour-saving devices are much more commonplace, to counter high cost and also save time. They free staff so that they can spend more time providing a quality experience and less on time-consuming routine jobs.

The general standard and quality of provision and service has increased in response to the need to expand the customer base to counter increasing costs. Some sectors, such as livery, are increasingly becoming more competitive; as the general standard in leisure services increases, so equine enterprises need to keep up with higher customer expectations. Potential customers are only going to be able to budget so much for leisure activities and horse businesses must compete with other leisure providers such as leisure centres, cinemas and so on. These places tend to provide very good facilities at reasonable cost, creating the powerful 'value' factor.

Diversification of agricultural land and buildings has been a recent trend with some government grants aiding this process. There have been many new livery and other equine businesses, as a result of this. In the face of such competition, those who plan such a move must manage their conversions well, in terms of planning, creating and maintaining a successful enterprise.

Increased use of planned marketing strategies has been another trend, in response to the need for customers and income, to make sure that the business is delivering what the customer actually wants and the customer is aware of the services on offer.

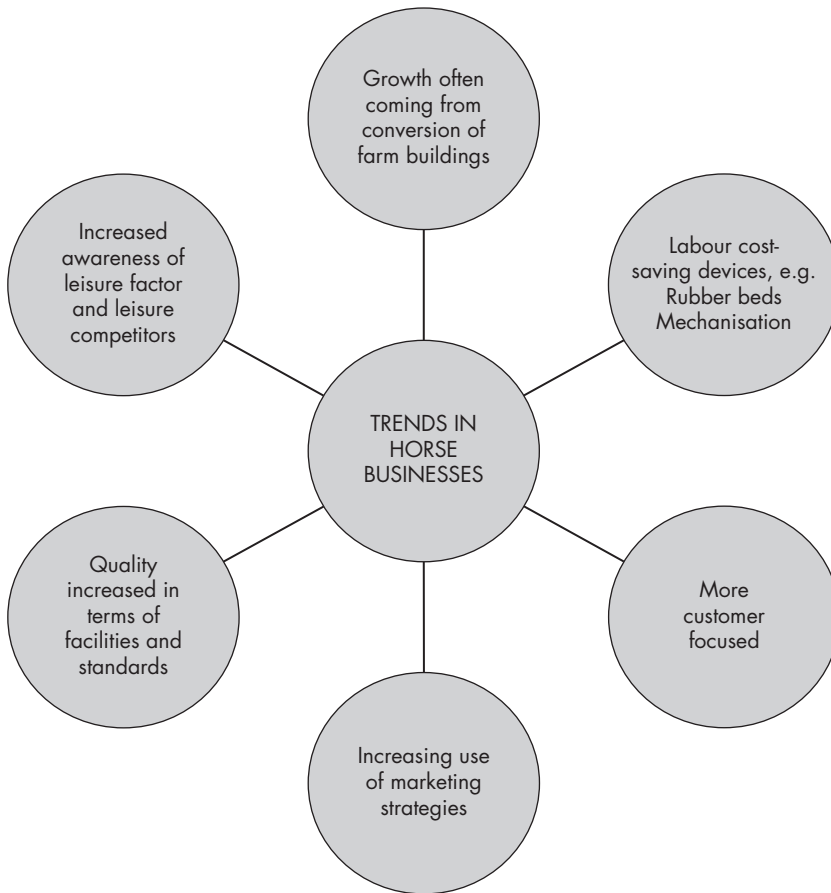


Figure 1.3 Common trends in horse businesses.

Marketing strategies could incorporate introduction of new enterprises, different promotional strategies such as pricing and innovative advertising, or even changes to the product or service in terms of quality, choice or range offered.

THE BUSINESS ENVIRONMENT

Many of the trends explored so far are controlled internally; a business is capable of controlling these and making decisions relating to them, even though they may be caused by the business environment. These are often called micro factors. A horse business will also have to try and be responsive to factors it has little or no control of and these are illustrated in Fig. 1.4; these are often called macro factors. Both micro and macro factors make up the business environment that the management have to operate within. External factors will have an impact on the business. The economic climate is very important for a horse business operating in the leisure sector; if people are not feeling so well off, then they will spend less on leisure, so cost of living, customer earning power, economic outlook and so on will all affect business.

Political decisions such as on equine passports, transport laws and licensing requirements will have immediate impact in terms of cost and time. Competitors create

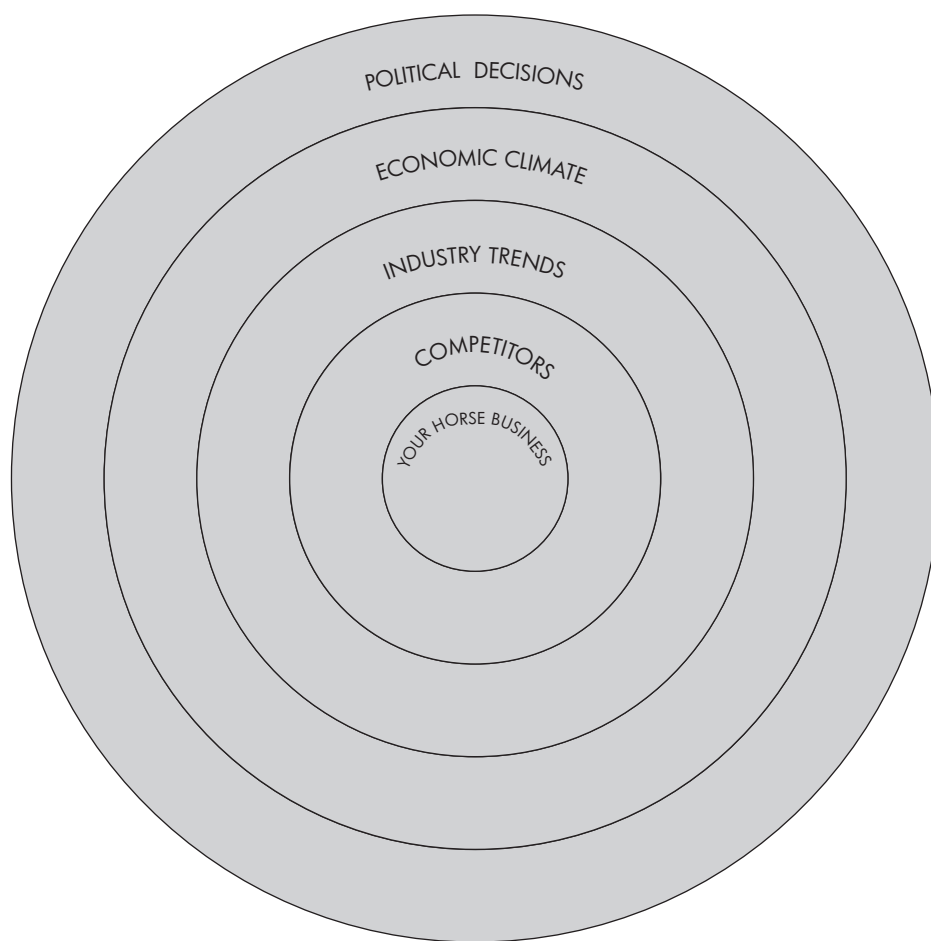


Figure 1.4 Business environment – external factors.

influence too; they might make changes to their services, pricing and quality which may need a swift response. Industry trends need to be monitored and reacted to as necessary.

CHALLENGES OF A HORSE BUSINESS

In summary, the successful horse business must be aware of and take into account, when planning, the following challenges:

- work to achieve the indicators of success;
- react to the business environment of the time;
- keep up with industry trends and practices;
- control costs and increase income.

This introductory chapter has established some key themes which are explored in more detail in the following chapters. A successful horse business will certainly need to have most, if not all, of the above in place and ensure that it is responsive to common trends and the business environment.