

# *Blue Ribbon Business*

Business Management and Leadership Topics for the Horse Industry



## SMALL BUSINESS MANAGEMENT

### *Demystifying Business Planning: Concept, Customer, Cash*

I hear it over and over - "I found an example of a business plan, but it really has nothing to do with horses." What is really needed here is a translation from business speak into horse business speak. The underlying issues of business planning are universal, just as the underlying fundamentals of good horsemanship. Sometimes the uninitiated believe that there is a business plan out there that has already been written, that they can grab off the shelf and run with. But there is no cookie-cutter approach to planning your horse business. Your concept itself is very subjective, and there are regional variations in costs and practices. Your concept is your "baby." Be prepared to give your baby the time and attention it deserves.

#### Research

As you work on your horse business plan, you will be doing lots of research. You will learn more about the horse industry and how it fits into the economy than you know now. You will learn about past trends and keep a sharp eye for developing trends, not only in the horse industry, but also with the American public in general. You'll take a look at any regulations, licenses, and other business-shaping aspects that will affect your horse business. As an industry grows and develops, it is prone to more regulation. The horse industry is no exception. Environmental, safety, and animal health and welfare issues are key areas to investigate.

You will study your competitors in depth. You may get to know them better than even they perhaps know themselves. Many horse business start-ups make the mistake of only eyeing the full-page glossy ads of prospective competitors, and then making the leap to thinking "Well these ads are EXPENSIVE! Look at how SUCCESSFUL these folks are." Dig deeper and you may find that this business owes many others lots of money. Or you may discover that it is a hobby business. In any case, you want to know more about your competitor than just how they compare to you for services and prices.

You will develop a profile of your prospective customer, one that gives you a deeper understanding of how to provide satisfaction for them and therefore success for you. Is your primary audience the youth market with a zest for competition, or perhaps the professional woman who longed to ride as a child, or perhaps families who live the equestrian lifestyle? Each of

these audiences will have some similar and some different needs. Identifying these is the start to keep them coming down the bridle path to your horse business door.

You will construct budgets to project how the money will move in your business, as well as what financial needs you may have as you grow and expand. Better to take a hard look at the numbers ahead of time than have them sneak up on you and bite you in the back. You will also examine where you will get the supplies and services that your horse business requires to operate. Hay, grain, shavings, farriers, and vets all come into play here, as well as contingency plans if needed.

As you conduct this information gathering you will make new acquaintances and discover new resources that will serve you well as your business grows. You will also discover a lot about the character of those you network with. Some are very open and sharing, with a belief that the marketplace expands with all new entrants. Others are closed, some are suspicious, and some fear that they may lose some business when you open yours. This is all more background for you about the culture and environment you will be operating in.

#### Peer and Professional Review

Once you have written your plan, test the waters. Ask at least one other person in a similar horse business to review it for a reality check. Choose someone that you trust, respect, and that is successful. Having it reviewed by more than one provides even more critical, and perhaps crucial, input. If horses are your strength, and the business aspects are secondary to that, having a business-oriented peer outside the industry review your plan may provide additional benefits. Since this is your baby and can be a subjective process, it is this review stage that can interject much needed objectivity. Consider what your reviewers have offered you and whether you need to re-think and reshape your plans in any way.

Try not to be in a rush when you are preparing your plan. This process can take several months to accomplish unless you can devote yourself to it entirely. For a simple straightforward business plan you will need to allocate 20-40 hours of time. The time commitment increases for more complicated concepts. Do not be discouraged or overwhelmed because of the time element. It is all well worth it. Business planning provides you valuable added depth to your decision making process.

**CONCEPT, CUSTOMER, CASH**

As a horse business entrepreneur taking the first steps of developing a business plan, you will need to consider three core areas: I) Concept, II) Customer, and III) Cash.

**I) Concept:** This is your “dream” and why you will succeed. It covers the nuts and bolts of how your dream will be achieved.

**A) Vision** – This is the fun part. Be creative, think boldly, be idealistic. Where do you see your dream 10-20 years from now? At the Olympics? Breeding top winning stock? Coaching the nations best equestrians? Providing therapeutic benefits to riders and/or horses? These are but a few dreams.

**B) Mission statement** – Your purpose for existing simply stated and easily related

**C) History** – Where your business has been if expanding to the next level; how the dream originated if you are a start-up

**D) Legal structure** – Sole proprietorship, LLC, partnership, incorporation

**E) Organization structure and management** – Key people and tasks, chain of command, and qualifications that show why you will be successful with this horse business.

**F) Competition** – Analysis that shows who the competition is and where you fit into the herd

**G) Product, service or program overview** – What you are offering to the market place

**II) Customer:** This is who will join you in your dream, and how they will hear about your dream. It covers your market research and plan. It is here that you’ll become a super sleuth, learning as much as you can from research, surveys, interviews, market tests and more.

**A) Location** – Where you will locate and why

**B) Product features and benefits** – A more intimate description of what and why; what your market advantages may be

**C) Target markets** - Needs and sensitivities

**D) Customer demographics** – Can you paint a picture of what your customer looks like, lives like, and buys like?

**E) Distribution** – Channels that you will utilize to get your products, services, programs to market.

**F) Promotion** – Business image, advertising, public relations

**G) Pricing** – Cost basis, competitor basis, market share basis

**III) Cash:** Sharpen your pencils and take off the rose-colored glasses that you put on to develop your vision and concept. This aspect is how your dream will become a reality. It covers what will be needed to get started and what will be needed as the business grows. It’s important to realize that it is not unusual for a business to lose money during its start-up phase, and that for some horse businesses the start-up phase is very long and can be from 6 to 10 years. In this day and age of instant gratification, horse business plans are often written

showing the business breaking even and/or making hefty profits in year one. Do not write your plan this way merely to convince, or perhaps fool, yourself. The horse businesses that do make a profit right away may have been developing their client base at another stable or horse business prior to going on their own. Or they may have a business advantage, like they just inherited the farm mortgage-free. It is crucial to have realistic financial projections. In preparing them talk to lots of people already in the same horse business.

The other thing to realize is that just because your horse business may lose money initially, it doesn’t mean that it always will. Your financial projections will also show when your horse business will become profitable, because you utilize proper planning and business management.

**A) Initial investment or start-up funds** –

Shows how much you need to spend before you even open the doors; will include facilities and equipment needed to start business

**B) Income statement** – Shows profit or loss for a specified period of time

**C) Cash flow** – Shows how the money will come in and go out monthly over a years time

**D) Balance sheet** – Shows what is owed compared to what is owned

**E) Sensitivity analysis** – Shows what may result if the best of all possible worlds don’t happen

**F) Break-even analysis** – Shows how much business is needed to start to turn a profit

**G) Ratio analysis as appropriate** – Shows your financial aspects as % which can be more meaningful than raw numbers

These are the key components of the process. Once these aspects have been given due attention, be sure to examine the fourth “C” – Controls.

**IV) Controls:** Monitoring your business for performance and legal and regulatory adherence. Be sure to put this into your schedule. If you don’t pause to see what is working and what isn’t working, you can’t make the necessary improvements. With honest evaluation you could turn your losing business into a winner, or better yet, keep your winner in the champion circle.

**A) Marketing review** – Ensure that you are making the most effective use of your marketing budget.

**B) Legal services** – Be prepared for legal situations by searching out counsel you trust.

**C) Accounting services** – Work with someone that understands the horse industry.

**D) Record keeping** – Horse health, equipment purchase and repair, employee, and other –tedious work perhaps, but these are crucial.

**E) Computerization** – A wonderful tool to keep track of all the above.

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