

Steps To Success For Your Horse Business

By Lisa Derby Oden

So you run a horse business. And you have noticed that some horse businesses come and go with the blink of an eye. You are determined that this will not be the case for you. You are in this to stay, and are looking for the key to success. There are three key competency areas in running your horse business. These are technical skills, business skills, and process skills.

Technical skills are those that revolve around the horses. Will you personally be providing the care? How experienced are you with horse care? Do you know the requirements for their good health? Can you recognize when something is wrong? Can you provide proper follow-up care for medical treatment when necessary? What is your experience level for riding/training? If you provide these services, do you seek ongoing education and development in the health/care/riding/training areas? If you employ someone to handle any of these services, are they trained in these areas? Do they pursue ongoing education? Horse owners and riders are more educated than in the past. This is wonderful because it means that they are more deeply involved and that resources are more readily available. It also means they will ask more challenging questions and will be more particular in choosing health/care/riding/training providers. It is up to you to be up to the challenge.

The best technical skills in the world won't keep your barn doors open without business skills. It's been estimated that 55% of small businesses fail within 5 years. Just as falling off a horse often teaches us how to stay on, success often comes by understanding failure. The most common causes of small business failure are: 1) lack of financial planning, 2) no business records, 3) no understanding and/or use of business records, 4) poor cash flow management, 5) poor debtor management, 6) poor inventory management, 7) poor costing-pricing, 8) poor market research, and 9) over-borrowing.

Financial planning involves taking the long view of your business. What are your long-term financial objectives? How will you meet them? What revenue sources are available? What are your financing options? What are your options if you find yourself in a cash emergency?

Business records are daily, weekly, monthly, and yearly recordings of what is happening in your business. This is your paper trail. Horse businesses are very high overhead and in the eyes of the IRS walk the fine line between being a business and being a hobby. The use of business records is one sign to the IRS that you run a business. Business records include income, expenditures, reconciled bank statements, tax records, horse health and behavior records, and employee records.

Understanding and using your business records increase your chances of achieving your business potential. Take time to review your records at regular intervals. What trends are you noticing? Are your expenditures increasing? Is the increase offset by increasing revenue? Do any of your horses show repeated health or behavior patterns? Do you have a big turn over in employees? What is the cost of employee turnover?

The single biggest problem that a small business faces is cash flow.

Cash flow is the life blood of your business. Many horse businesses experience seasonal variations in when the money comes in, and when it needs to be spent. You may know that your hay bill will gobble up more than you make in June, but that when school starts in September your lesson program swings into overdrive and more than offsets the expenditure. Do you have access to enough cash to handle temporary shortages?

Do you extend credit to your clients? Although this is a convenience for them and may encourage them to spend more with you, are they up to date with their payments to you? Do you charge an appropriate amount for late payments? If not your debtor management needs improvement. Extending credit may be costing you more than you realize.

Inventory management relates to how well you utilize the resources that you've invested in for your business. Horses, bedding, grain, tack and other stable supplies and equipment all fall in this category. Are these used wisely or wastefully?

How do you set prices for your services or your sale horses? Take time to do your homework here. Itemize and assign a dollar value for all the costs associated with you're offering. Talk to others offering similar services for feedback to see if you've missed anything. Surprise costs can turn a money making idea into a real life money loser.

Market research provides crucial information regarding the potential size of your piece of the pie. With thorough market research you will get an idea of how many people there are to become your client and what their characteristics. You will also discover who your competitors are, how much of the pie they have, and what their basic market strategy is.

Over-borrowing can be almost too easy these days. Credit card companies make instant credit readily available but at very high interest rates. Your vendors will also extend you credit, although it will usually be for a very short time period. You may not be able to create enough revenue within a given time frame to pay even the minimum amounts due on all the lines of credit you have.

In addition, the horse industry is characterized as a "wild cat" industry. It is high risk and subject to rapid fluctuation. This industry relies largely on discretionary income since it is leisure time activity for participants. Losing touch with the environment you operate in can put you on track with the dinosaurs. But risk can also yield reward, if you can learn the necessary skills to stay on to enjoy the ride.

To this point we've examined what you do for business. Process skills relate to how you do business. What are the dynamics behind your relationships? How do you communicate to you horses, your employees, your clients, your vendors, your farrier, vet and other independent contractors, your banker, and your peers and colleagues? Do you take adequate time with them? Do you listen actively to what they say? Do you encourage learning in yourself and others? Do you take time away from work to refresh yourself and prevent burnout, stimulate new ideas, and explore other areas of the world and life?

Someone has said that it's not whether you win or lose, its how you play the game. Someone has said that if you don't care whether you win or lose it must be because you're on the losing side a lot. Consider that there is another option: Both the game and how it is played important. Running a successful business is a culmination of what you do and how you do it.

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