

EM Sporthorses

Business Dissertation

For EM sporthorses

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Problem Definition

Is it financially feasible to start a sport horse trading stable in Lazio, Italy?

Introduction

Horse riding is not just a sport, it is a way of life. People that ride will agree, the combination of sport and direct contact with the mighty animal is near to unique in various ways.

The amount of interest in this sport is growing in more than one European country. In the Netherlands horse riding is the biggest sport after soccer and in Italy the amount of people riding has doubled in just a few years time.

The Netherlands is a country with a great culture in horses. In the last couple of years the Dutch studbooks have done a great job. The general quality of Dutch sport horse has increased exponentially; because in the Netherlands the sport is so widely spread, the prizes of horses are still reasonable with respect to many other European countries.

In the Netherlands the number of people that own a horse or pony in the year 2006 was 81.400, it represented 18% of people that practice horse riding; so almost $\frac{1}{4}$ owns a horse or pony.

In the Netherlands in 2006 there were approximately 456.000 of over 8 years old children and adults riding. This on a registered population of 16.652.323 in november of 2010 and a general economic growth of 1.9%.

In the situation where the rider buys the horse or pony 95% of the people are happy about the horse, and 86% is content about the price (22)

In Italy the quantity of people that ride has grown quite a bit in the last few years. The interest is very vivid and the request for horses is growing.

Not many figures are available on the purchasing behavior of Italian riders, there are few to no reliable sources as to how many horses are sold and for how much money. Therefore the customers satisfaction in this sector is very difficult to estimate.

What figures do tell is that although the overall quality of the Italian horse is relatively low, prizes are not. In the WBFSH studbook rankings the Italian sport horse does not have a position of relevance over the years. In the year 2010 in the show jumping section, the Italian Studbook UNIRE ended at number 26 of the total 43 studbooks identified, just behind the "Stud-book du Cheval de Selle Luxembourgeois (SCSL)". In the year 2009 the UNIRE ended at a 27th place of the 43 registered studbooks and in 2008 it took the 32nd place, just behind Verband Niederösterreichischer Pferdezüchter (VNP) of a total of 38 studbooks registered in 2008 (29).

The average price for an Italian bred horse is quite high (approx 12 to 14.000 euro for an average quality horse). This because of the prizes that can be won participating in specific competitions reserved for the Italian horse.

The Italian market is a potentially very big and interesting sport horse market; it is also a difficult one. Being a niche market it is subject to various influences from within the sector that influence buying behavior and customer recruitment.

However the difficulties, it is also a market that still has growth potential and allows the entrepreneur with the right skill set and financial possibilities to have a very strong selling position.

Reason for the research

The reason for this research is related to my own goal of opening a trading stable in Italy. The setup of a business plan is but the first step into that direction.

There is a considerable market of sport horses in Italy; however there is a niche market that remains as of this moment unfilled. This niche market is the one for the amateur-competition rider. Often they are wealthy, working people who search for a nice, well trained horse and are able to pay a considerable amount for it.

Usually however, they are presented with animals that are left-overs from the higher sport classes because they are not talented enough to perform on a high level. The time that is spent to prepare these horses for a less experienced rider is very little and the amateur often finds him or herself in great difficulties with the animal. The main strategy consists in buying decent horses and prepare them through and through for an amateur public.

Aiming for a customer type that wants and needs a nice horse that allows for the less experienced rider to make mistakes and learn in a safe way, without dealing with difficult or even dangerous situations.

A business plan is always a good starting point for a new company, for it aims to give inside analysis of the current environmental situation, including legislation, financial possibilities, skill set and marketing strategies.

It shows the best setup structure and market entry strategies by the analysis of the market, the customers and the internal setup structure.

The goal of this research

To investigate how to earn money with the selling of Dutch show jumping horses in Lazio, Italy

The aim of the business plan

The main aim was to investigate whether the setup of a sport horse trading stable in the region of Lazio, Italy is financially possible and viable.

The aim is to describe the financial possibilities that the entrepreneur needs to have.

The aim is to select the appropriate target market and marketing strategy for the existing product.

The objective s

Personal Objective:

Earn money with show jumping horses.

Buy well, train with care, sell with profit.

Business Objective:

Short term:

To import show jumping horses from the Netherlands, train and sell 12 of them within the year with an average profit of 2000 euro after tax per horse for the first 2 years.

Research Questions

1. What financial possibilities are needed to setup a sport horse trading stable in the region of Lazio ,Italy?
2. How big is the average potential market in the region of Lazio? What is the best potential customer profile?
3. What is the best way to reach the right potential customers, what is the right competitive advantage to invest in?
4. Is it possible to generate an income of 2000 euro PBT per month with the selling of an average of 12 horses per year in the first 2 years?

Method

A research has been done analyzing the financial requirements needed for the setup of a company using the field experience and informal interviews with various horse-traders in the area.

A desk research has been done analyzing the internal and external company environment using various socio-demographic and financial figures in a pest, swot and five forces analysis.

The socio-demographic figures used include:

Figures of general financial ongoing

Average income level

Average use of internet

Horses in Italy and Lazio

Competing horses in Lazio

Interviews have been held among possible potential customers to analyze the available target market and to individuate the best possible sale and marketing strategy.

Fifteen have been held among possible customers using an open and closed interview questions, with few clear questions.

The interviews have been held with:

11 amateur riders

4 professional riders

They will be asked to go into detail what their requirements are, with regard to their future acquisition, and how much they would be willing to pay. Attention will also be paid to the way in which people search for the required “product”.

All the customers have been selected with the common denominator that they wish to buy a show jumping horse to compete with.

The amateur customers where selected randomly, but had to contain; at least 2 junior riders and at least 2 riders that live in the region of Lazio.

The professional riders where selected from the region of Lazio on a random base.

Internet has been used for the desk research as well as various informative articles and professional books.

The list of reference is added in the annex with all the various sources of information used.

The figure in front of the reference represents the number in the text that refers to that particular reference.

Setup

The first chapter “The Company” describes the company, the entrepreneur, the vision, the objectives and the aim of the company in general.

It describes the practical management and the financial starting position as well as the overall philosophy. A description of the company setup is given and a brief description of the practical administration.

The chapter is organized from global to specific. From a global description it specifies with each step going into further details, finishing with the practical management.

At the end of the chapter a conclusion is given that also represents the answer to the research question that corresponds to the chapter, posed at the beginning of the document.

The second chapter is the chapter on the “Situation Analysis” or external analysis.

In this chapter a socio-demographic description is given of the country, as well as some optical illustrations.

It starts with a wide PEST description that includes some extra necessary features to allow for a better understanding. Again the chapter goes from global to specific. Every separate description starts from a national situation narrowing into a specific geographic area.

At the end of every part a small resumption has been made, to link the information directly to the company and the various implications.

At the very end of the chapter a conclusion is drawn, that uses the information of the chapter to answer the corresponding research question.

The next chapter describes the “Marketing” strategy of the company, including a target customer description and a competition analysis, pricing strategies and market entry strategies.

This chapter includes the information gathered from the interviews held (see previous page for description)

A SWOT and a five forces analysis is included in the chapter.

Using the information gathered a possible marketing strategy is described, answering the next research question that corresponds to the chapter.

Last but not least, a “Financial analysis” is included containing the following documents:

Investment plan

Funding plan.

An opening balance sheet

A cashflow

A profit & loss account

And further various financial budgets and forecasts.

A description has been added to every financial document , to ensure that all the figures correspond to a specific action and reaction.

Finally it ends answering the last research question that is directly related to the chapter.

Conclusions

The conclusions of the chapters and the answers to the questions are stated here below:

1. What financial assets are needed to setup a sport horse trading stable in the region of Lazio ,Italy?

The financial assets needed for the setup in the first 3 months are of 74.668,10 euro.

The best options are:

A minor working credit at the bank of 25.000 euro with the yearly interest rate of 8%

A family loan or subordinated loan on an informal basis of 85.820 euro with a monthly interest payment of 1,4% on a yearly basis. This represents a fixed cash expense of 100 euro per month. No loan repayment is necessary and in the case of bankruptcy the money does not have to be repaid. This also provides a financial base for the bank to provide the company credit.

2. How big is the average potential market in the region of Lazio? What is the best potential customer profile?

The fact that the concentration of people interested in equestrian sports is so high in the region of Lazio is a positive indicator. The registered growth means that the interest is not diminishing; indicating that the market is still in a stage of growth even though the financial situation has not improved much in the last few years.

The employment rates of the area are relatively good, meaning that the average income of the area allow for some freedom of investment into leisable activities.

The average income and employment rate indicates that the general education is average to high.

There are 16.577 people in Lazio that ride regularly in affiliated sport stables and there are 4781 horses and ponies that compete regularly in the region. Starting from the assumption that all horses have a different owner (1 horse per person) it would mean that approximately ¼ of the riding population owns a horse or pony. Assuming that at least another ¼ is able to afford a horse but has not found the right animal yet, it would mean that an approximate 4500 people are planning to buy a horse in the near future.

The high amount of people that use the internet on a daily basis means that a company that focuses on the communication through the web is more likely to attract more specifically targeted customers.

The development of a specific , well detailed and well-connected website should therefore allow the penetration of the market segment that does not fall under the influence of the instructors of the big riding centers.

The high education, high independence level and swift use of the internet, described the main target population for this company.

However the contact with the large riding centers in the area remains a very important factor in the marketing strategy.

So the average customer profile is as follows:

Behavioral type 1 is an amateur in search for a horse. Usually a medium to highly educated person with a good career and medium to high income. Of the amateur riders interviewed 7 are woman between 30 and 45, with children of approximately 6 to 14 years of age.

The career has reached its peak, the children have become fairly independent, and the person re-discovers a childhood passion, for at this moment in his or her life, the person has the time and the money to afford a hobby.

Generally the customer type 1 want a nice-looking, healthy and experienced horse to ride safely and do some competitions on a low to medium level (in most cases max 1.20).

Behavioral type 2 is a (semi) professional rider, mostly man from the age of 20 up to an including 60, that searches for quality animals on competitions. They usually want a young animal with a high performance potential, for them, the sponsor or a potential client.

They often decide quickly if the animal is suitable and buy it or not.

Generally customer type 2 want a talented horse that is ready to compete at a medium to high level. Often they want a horse that have the basic skills, but require some refinement for the higher classes.

3. What is the best way to reach the right potential customers, what is the right competitive advantage to invest in?

The information indicates that the use of the internet in Italy is considerable, this calls for a technological approach towards the advertising strategies, especially seeing the fact that most highly educated people make regular use of computers and internet technologies.

So a well made and regularly updated site, should attract the required behavioral type customers 1.

Furthermore the results from the interviews indicate that many people find their horse through friends and family, this means that although a website is important, a wide range of contacts is still the best way to attract customers. This also means that the contact with the competitors in the area is very important, since they can provide (or not) the necessary customers. This should call for an alternative strategy that consists in regular visits at local competitor yards, and cooperation on various fronts.

A possibility here could be the organization of clinics from various experts and inviting the local competitors to join. Creating collegiality, facilitates communication ,allowing room for commercial agreements.

4. Is it possible to generate an income of 2000 euro PAT per month with the selling of an average of 12 horses per year in the first 2 years?

Seen the calculations within the chapter it will be possible to generate an income of 2000 euro PAT per month, but not in year 1 and 2.

Including the side activities that generate a small amount of revenue and do not represent costs for the company the target of 2000 euro PAT per month is reached in year 5.

As mentioned in the business plan, an income of approximately 34.000 euro a year represents a net 2000 euro per month.

Overall conclusions

According to the information in the business plan the overall conclusions are moderately positive.

There seems to be enough indication that the horse trade market in Italy still experiences an upward trend.

The key competitor advantages that the company has, in relation to other comparable trading stables should allow for a positive business advice.

Even though the last question has been answered negatively, the reachability of the income is not so much out of reach as slightly shifted a few years further. Considering all the elements an acceptable shift.

In a country where an average salary is 1000 euro per month and the average minimum salary is 800 euro, an income of 2000 euro per month is not to be considered a bad result.

Recommendations

In this business plan the main aim was to analyze the feasibility of a specific plan. The income generated from the selling of dutch show jumping horses was the target that needed to be analyzed.

From the business plan it becomes clear that the answer to the problem definition is : "yes, it is financially feasible".

There are also other elements to consider. Of course anyone needs an income, those that are fortunate enough not to have to work in life are few.

However to be able to work in a business where you love what you do does not have a price ticket.

So in this case the generation of cash is partially subordinated to the wanting to work in a specific market segment. Furthermore a company needs to create a brand that stands for certain qualities. This takes some years and in the equestrian world is made mainly by sport achievements.

A possibility that is worth a subsequent analysis is the development of extra activities that might increase the income, without increasing the direct costs.

Activities like horse riding instruction, competition guidance and informative clinics might considerably increase the income, but will diminish the time availability for the horses.

However as the physical capabilities of the company owner diminish with the years, the increase of side activities might very well be a valid partial replacement of income generation.

The recommendation for this company is to start a financial analysis for the incrementation of side activities after the first five years. After this period of time, the name and brand recognition of the company should have reached a high enough level, to allow for the growth of side activities to be fluent.

Customers would base their judgment on the past sportive achievements and positive brand recognition and would therefore be increasingly interested in the offered side activities.

References

Please note the list of reference that was used for the relevant research.

Note that not all the reference have been numbered, this because some references where used for background information, but not directly quoted in the text. It seemed superficial not to mention them, therefore they can be found in the list of reference here below.

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