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Extended abstract of Bachelor Thesis

Determinants of horse pricing

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1 SUMMARY

The popularity of horses in past two decades is growing and from year 1993 in the Czech Republic were 18 792 registered horses and now the number of registered horses is 77 082. Horses are nowadays usually used for a leisure time but over than 5000 horses are involved in equestrian competitions and according to Czech Equestrian Federation the number is year from year higher. In breeding 28% of horses are constitute to be a Czech warm blooded horse and it is the most widespread breed in the Czech Republic. On the second place there is English full blooded horse, which is mainly used for races. The most widespread group in the Czech Republic are horses without breed jurisdiction.

This bachelor thesis is divided into two parts, theoretical part, which is based on practical literature that deals with history of horses, economic side of equestrian of recreational, show jumping and dressage horses, and usage of Hedonic price method in case of pricing horses. Practical part that is focused on the main determinants that can affect the price of a horse.

Keywords: equestrian, horse, hedonic price method, pricing, economics, determinants, purchase price, regression

2 INTRODUCTION

Human and horse. Hardly any relationship in a mankind life has a deeper meaning then a yoke between human and horse. (Mahler, 1995) Claims, that the horse was one of the main factor that made up civilization. And that is what has to be realized nowadays, in a modern world full of technology and life rush.

Horse was the only creature that stood alongside human in good times as well as in bad times. It seems that horse had the best times at the very beginning of its existence, when the horse lived in a wild nature, and was developed through natural selection. However, the conditions for the existence of horses in our civilization are the most favorable in the last fifty years. (Jahoda, 2004).

While nowadays horses do not stay in wild nature, but they stay in stables and paddocks and they are under the supervision of top breeders and professionals. Horses don't have experiences with terrifying wars, but they are part of human's everyday life, they are use in sports, they assist in hippotherapy, agrotourism and pharmaceutical research. But in inaccessible hillside they are still pulling tree trunks, Horses us therefore accompany Fortunately, even in this advanced civilization (Jahoda, 2004). It is therefore our duty to create

suitable conditions for them to live and raise professionalism and education of the people working with them.

In this very world human is looking for an oasis of peace, relax and fulfilling of emotional life. Human is returning to the horse, to that the animal, which significantly contributed to the development of human society, because it allowed to explore new lands, conquer them and defend them economically exploit, explore and expand new cultures.

The horse was and always will be part of our society even though that the usage of horse changed from century to century. Usage of horse was very widespread. The most important was for agriculture, wars, transportation or at prehistoric times mainly as a food. The meaning of a horse can be found in legends and myths. Thus the tradition of breeding horses all around the world is long-standing. In a post-war age the breeding of a horses was decreasing due to industrialization, motorization and automatization. In the second half of 20th century the number of horses was increasing due to favorization of equestrian competitions that includes even jumping or non-jumping competitions or races. Past two decades there was an increase of equestrian clubs and more and more people nowadays own a horse.

Due to this change horses are no more often visible to be as a part of an agriculture or transportation. Those usage can be seen only in the villages where the industrialization is not so developed. Nowadays the horse became the symbol of leisure time, sport tool or luxury. It is also consider to be a symbol of a life style. Because of the increase, the meaning of horse completely changed and the equestrian is becoming to be a business.

While increasing the number of horses that are recorded it is important to understand the economics of equestrian business, which involves also the pricing of horses. How horses are priced, which determinants are the most important will be the main topic of this bachelor thesis.

3 OBJECTIVES AND METHODS

3.1 OBJECTIVES

The aim of this thesis is to investigate and identify the most important determinants, influencing the price of a horse. This thesis is focused on comparison to find out the most influencing determinant. Horses are divided into three groups according to their usage such as recreational horses, show jumping horses and dressage horses. After identification of the most influencing determinants, there will be comparison between those groups, to see how are the determinants different according to division of horses.

The next aim is to inform generally about horses in broad sense of history of equestrian, recreational equestrian, show jumping equestrian, dressage equestrian, application of Hedonic price method on the base of literature that was used.

3.2 METHODS

The methodology that will be applied to this thesis is divided into two approaches. In the theoretical part will be applied in-depth analysis that will provide the literature that was study and the first part will help to deduct the information necessary for the second part of the thesis. The second part will take the form of quantitative and qualitative research. The data will be collected in form of personal interviews or questionnaires for forward analysis where will be applied the Hedonic price method.

4 CONCLUSION AND RECOMENDATION

The results shown that in the recreational equestrian the most significant determinants that influenced the purchase price of a horse are: injuries, pedigree, carrier and breed. Even that the age was not significant, in the correlation analysis was demonstrate that the variable age was influencing other variables such as training and previous sport carrier. According to the results the best horse is a horse that is Czech warm blooded, mare, without injuries, with a pedigree and with a previous sport carrier. The age of a recreation horse was estimated on 11 years with a price of 39 931 CZK. If we apply those results in to the real life, usually recreational owners want a horse that is under 11 years yold and uner 55 000 CZK. So it fits int the reality. But recreational rider are choosing horses because of their character but the variable character is not possible to measure.

In the branch of show-jumping equestrian the most statistically significant variable was gender. Thus, mares are valuable then geldings because of the performance that is better than the performance of geldings. Other determinant was training, proportions and breed. In this case again the age was not statistically significant so it had to be done the correlation analysis and it show that age is affecting training and previous sport carrier. The best horse for show-jumping equestrian is a Czech blooded horse, in the age of 8 years, mare with previous sport carrier, proportions and training that the purchase price is about 1 347 697 CZK.

The last branch that was analysed was dressage. Here was the most significant determinant that affect price colour. So basiccally dressage horse has to be black. Another significant variables were proportions, gender and sport carrier. The variable age was again not proved to be statistically significant. Thus, was run the correlation analysi and that show that the relationship that highly correlate with age is carrier and training. So as a result the best horse for dressage equestrian is a black stailon, with proportions to competitions from level ST to TT, without sport carrier in the age of 6 with the purchase price of 2 279 980 CZK.

The statistical analysis shown very interesting results. In comparison the most expensive horses are horses that are focused on the dressage equestrian, that is true in application into the real life.

My recommendation is that we have to keep in mind that a horse is still a life creature not a thing. Every single horse has a unique character, that is not possible to measure that's why horse has to be chosen by heart and by eyes not only with a statistical data, which are useful to have them but not as an the main factor.

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