

DURBAN UNIVERSITY OF TECHNOLOGY

**EVALUATING THE SUSTAINABILITY OF SOUTH AFRICA'S GAMBLING
INDUSTRY**

SIPHAMANDLA MLOBELI

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**EVALUATING THE SUSTAINABILITY OF SOUTH AFRICA'S GAMBLING
INDUSTRY**

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SIPHAMANDLA MLOBELI

Student no: 20705263

Supervisor: Dr Hatikanganwi Mapudzi

NOVEMBER 2023

APPROVED FOR FINAL SUBMISSION

Supervisor : Dr Hatikanganwi Mapudzi

Student : Siphamandla Mlobeli

Co-Supervisor (Affiliation)

DECLARATION

I, Siphamandla Mlobeli, declare that this study is my original work and findings, except where it has been stated. All references cited have been duly acknowledged.

Siphamandla Mlobeli _____

Date 13 November 2023

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DEDICATION

I would like to dedicate this thesis to God almighty; He gave me the strength to carry on, and no matter how hard it was, God was there. To my parents, for doing everything they could to ensure that I get a better education, for ensuring that whenever I fall, they are there to assist me.

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ABSTRACT

South Africa is a developing country that prides itself on having in-depth understanding of gambling activities. People engage in gambling activities like casino games and lotteries. Even though gambling activities have evolved from being a relatively unusual occurrence limited to brick-and-mortar casinos, bingo halls, race and sports books, it has become a technologically sophisticated sector that is growing significantly every year. The gambling activities have transforms how individuals gamble. People gamble in the comfort of their own homes. However, the growing importance of unregulated (and thus illegal) gambling in South Africa is a troubling trend. This study aimed at investigating the opportunities for the South African gambling sector to continue operating in the face of declining revenues.

To establish the set objectives, this study adopted the use of qualitative methods particularly purposive sampling. The researcher acquired a representative sample of the three CEOs and 12 players from each of the three companies, Gold Circle, HollywoodBets, and Phumelela Gaming. In a similar vein, the 12 clients chosen from the three businesses have a history of doing business with them.

The findings of the study revealed that both internal and external elements contributed to the industry's swift drop in fortunes. The internal variables include marketing, culture, issues with tax income, racing, wagering, and the use of human capital. Education, innovation, globalisation, a lack of skilled workers, economic and political instability, legal issues, restrictions on gambling, change, and government backing are some of the external variables. The study recommended significant government assistance for the industry. The national gambling board should also see to the closure of all illegal gambling establishments. The sudden increase in licence renewal costs and tax revenue needs to be investigated, to help the business regain its financial stability.

Keywords:horse racing, sustainability, gambling industry, South Africa

LIST OF ABBREVIATIONS

AHS	African Horse Sickness
BBBEE	Broad Base Black Economic Empowerment
CEO	Chief Executive Officer
CSI	Corporate Social Investment
FICA	Financial Intelligent Centre Act
GDP	Gross Gaming Revenue
GGP	Gross Domestic product
GGR	Gross Gaming Revenue
JSE	Johannesburg Stock Exchange
KZN	Kwa-Zulu-Natal
KZNGBB	Kwa-Zulu Natal Gambling and Betting Board
NGB	National Gambling Board
NHRA	National Responsible Gambling programme
NHA	National Racing Authority
PGL	Phumelela Gaming & Leisure Limited
PSL	Premier Soccer League
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal factors.
SA	South Africa
SAHP	South African Health and Protocols
SPCA	Society for Prevention of Cruelty to Animals
SWOT	Strengths, Weaknesses, Opportunities, and Threats.
TAX	Trunk Automatic exchange
VAT	Value-Added Tax
VDJ	Vodacom Durban July

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CHAPTER ONE

ORIENTATION AND OVERVIEW OF THE STUDY

1.1 Introduction

Sustainability can be viewed as means by which people satisfy their immediate needs without endangering the capacity of future generations to satisfy their own needs (Gainsbury, Angus, Procter, and Blaszczynski 2020). Sustainability is typically measured against the Environment, Social, and Economic framework. Every piece leaves a distinct trace that is influenced by choices and decisions. Through a number of initiatives, reputable gaming operators are dedicated to maintaining a sustainable gambling sector. Some sectors included in this industry are casinos, lotteries, online gambling, sports betting, and more (Choi, Hon, Mao, and Lai 2019).

Any activity that involves making or accepting a bet or wager is considered gambling for the purposes of this study. The definition of gambling according to Leung (2019), is putting something worth on the line in the hopes of winning something, with no knowledge of the outcome for the player. Any activity that has the three components of consideration, chance, and prize is considered gambling; if any of these components is absent, the activity is not considered gambling. Legitimate business transactions that comply with contract law are not considered gambling.

Sustainability in the gambling industry thus infers the capacity to keep the entertainment of people as a priority with the availability of various opportunities to make money while it remains a source of employment (Liu, Dong, Chang, and Tan 2021). Sustainable gambling industry requires assured future operations within the context of clearly understood regulatory environments that guarantee stability and continuity (Berto, Costa, Simoes, Gudwin, and Colombini 2021). Continuity in operation and relevance, stability and accountability and survival instincts, within the regulatory limits of the legislative environment, are central to the sustainable gambling industry. With a steady state of operational activities with adequate regulatory measures to ward off illegal intrusion and disruptions, organisations and patrons would be able to enjoy comparative advantages that keep the industry alive (Allsopp 2021).

The regulatory environment is key to the sustainable gambling industry because it involves the intervention of the government in the determination of the levels of participation of citizens vis-à-vis the risks involved (Rizzi, Serao, and Nowak 2019; Ruiz, Schweimler, Seibel, and Vigil 2022). While the regulatory instrument protects the

rights of citizens, it also determines to a great extent the stability and the prospects of continuity of the industry in terms of survival, given the fact that the industry is characterised by its limited number of stakeholders and key players because of the rules of accountability and corporate social responsibility (Leung, 2019; Peng, Dickson, Scelles, Grix, and Brannagan, 2020). While the regulatory instrument keeps a tab on the accrued revenue generation to the national economy, it also portends to minimise the risks of uncertainty in capital investments for human capital development (Loi, K.I., Lei, W.S. and Lourenço, 2021). Thus, the sustainable gambling industry hinges on some level of deliberate interventions for stability without hurting society.

Constant interactions among the stakeholders and the regulatory environment through monitoring and lobbying activities are necessary to stave off unwholesome rules and practices capable of stifling operational capacities (Yap, Xu, and Tan 2021; Ims, 2021). It is also necessary to ensure minimised loss risks to customers as a way of attraction. Constant reporting on losses discourages participation thereby reducing the prospect of continuity because, without customers, the industry will find sustainability difficult. Eventually, when customers are unable to cope with their vulnerability to constant losses, it has a rebound effect on the industry (Yap, Xu, and Tan, 2021). Thus, the sustainable gambling industry is a challenge to survival amid mitigating operational risks regulated by the legislative environment. The South African gambling industry is caught in the web of this challenge (Uwiduhaye, Niyonsenga, Muhayisa, and Mutabaruka 2021).

Jack (2018) states that bookmakers such as Hollywood Bets, Phumelela Gaming, and many more offer a wider range of betting options such as lucky numbers and bet games. This offers punters a variety of options. Furthermore, the horse racing sport benefits the stakeholders of the industry (Jokey, Punters, Trainers and horse owners). Events such as the annual Durban July, in Durban, KwaZulu-Natal, the Sun Met in Cape Town, and the Summer Cup in Johannesburg, Gauteng, have benefited the fashion world. Numerous South Africans attend these events not only for the sole purpose of horse racing but for fashion and entertainment as well.

According to Jonah and Kanyangale (2021) and Mark (2023), the issues around the sustainability of the South African gambling industry have not been evaluated adequately. Scholars have explored numerous aspects of the industry, such as online gambling, the economic impact of a global pandemic, casino proximity and corporate social responsibility. Technological innovation, especially in communication, has

changed the operational modalities of contemporary industries. The globalisation of society has broken barriers that restricted the operational boundaries of industries and organisations. With weak regulatory mechanisms to protect betting activities, the invasion of the industry by advanced information and communication technology (ICT) has continued to blur the prospect of the continuous monopoly of the gambling business. Thus, the industry has become vulnerable to different online betting platforms that evade regulations.

1.2 Problem statement

De Kock (2011) states that gambling is a major economic role player in several countries such as the United States of America, Britain, France, Ireland, Germany, Dubai, Hong Kong, India, Australia, and New Zealand. Nevertheless, its growth has also been met with a decline in terms of economic turnover (Buraimo, Coster. and Forrest 2021; Lamber 2022). This is a global phenomenon (Hoffman, Gilliard, and Baalbaki-Yassine 2020; Evans and McNamee 2021). According to Evans and McNamee (2021), a decline in revenues from horse racing, in particular, has led to innovative mechanisms to cope with the attendant financial challenges for sustainable growth. Even though other gaming sports are booming, “new online betting practices and concerns over animal welfare” have contributed significantly to the decline in the volume of customers in horse racing (Evans and McNamee 2021: 208). Given this, operators of horse racing and other gambling sports sought to change their practices by introducing technological innovations “such as GPS sensors and Wi-Fi active racetracks” to attract and engage “a new generation of spectators, including betting spectators, to the sport” (Evans and McNamee 2021:208). Thus, innovative gambling has provided new opportunities to expand the scope and frontiers of betting practices within the sport. Even though this comes with unintended challenges, especially in ethical practices, nevertheless, the evolving and adaptive environments provided the necessary checks to curtail the drift thereof (Lambert, 2022).

In South Africa, gambling and horse racing sport have grown enormously over the years (Spargo, Rubio-Martinez, Carstens, Wheeler, and Fletcher 2019; Nairac 2019; Rogerson. and Rogerson 2022).

The government nationalised the Lottery in 2005, where Ithuba (the lottery operators) could wage lottery across South Africa. The lottery is a pool-based gambling. The majority of South Africans started playing the lottery. Consequently, the competition set in and horse racing sports turnover started to decline. Ithala gaming further introduced

Powerball, lucky numbers and sports stakes. This variety offered the market more than horse racing sports. As such, a large number of South Africans started playing the lottery and horse racing started declining (Loker 2018).

In 2010, the Gambling Review Commission Board was given the responsibility to assess and evaluate the adequacy of the regulatory framework to accommodate and effectively deal with the impacts of technology on the industry (Medupe 2010:16). The task of the Board also included assessing the new trends and the effectiveness of the current regulation, control and enforcement structure. The review analysed the history of sports betting and online sports betting in South Africa.

Lim and To (2021) state that at this time, tourism constituted a major resource of economic revenues and a way to increase GDP. Thus, the link between the tourism sector and the gambling industry plays an important role, not only to sustain the industry but to attract international tourists so that they can invest to create and increase domestic tourism. In addition to this, the employment rate also increases when the industry is sustainable. Nevertheless,

Nairac (2019) states that the growth of bookmakers has caused the totalisator industry to lose turnover. The introduction of Bookmakers, slot machines, the lottery, online gambling, and illegal gambling has caused the horse racing sport to lose turnover. There is no regeneration in the industry and companies such as the Gold Circle, Phumelela Gaming and Hollywood bets are affected. Jack (2018) states that Gold Circle retrenched over 600 staff, and Phumelela Gaming retrenched approximately 400 employees. This means that the horse racing sport is declining in yearly turnover.

The bookmakers have grown drastically and the totalisator has lost turnover. There is no regeneration of customers who are still willing to learn horse racing sports and take bets regularly as customers are now moving to the bookmakers due to the availability of a variety of products (Nairac 2019). Thus, the horse racing sports industry in South Africa is declining yearly.

In the absence of innovative technological mechanisms to attract a newer generation of customers, horse racing in South Africa is losing its prestigious volumes of customers to other betting platforms (Rogerson and Rogerson 2022). This development has remained a challenge to the survival of the horse racing industry in South Africa, and this was compounded by the COVID-19 lockdown restrictions (Rogerson, 2022). With the advancement of ICT, it is possible for people to engage in

betting activities without passing through regulated betting organisations. Online betting platforms have increased the rate of illegal gambling while registered companies continued to lose their customers and revenues. This loss impinges on the prospects and survival of the industry.

In addition, major issues such as government regulations, competition, transformation, and innovation in the horse racing industry are identified as factors that are affecting the horse racing industry and contributing to the decline of the horse racing industry. Pillay (2011) further added that the exponential growth of computing power and internet connectivity continues to drive rapid global technological development, which in turn acts as a driver of social and economic change. These changes affect the horse racing industry. The overarching implication of this development is that change is becoming more rapid, and regulations need to become more adaptable.

1.3 Aim of the study

This study aim to investigate the opportunities for the South African gambling sector to continue operating in the face of declining revenues.

1.4 Objectives of the study

- To investigate the historical evolution of South Africa's horse racing sector
- To assess the chances of the South African gambling sector's survival and stability
- To investigate how the gambling business contributes to the health of the South African economy
- To offer potential solutions for preserving the South African gambling sector

1.5 Research questions

- How has the South African horse racing industry evolved historically?
- What are the key elements influencing the gambling industry's ability to survive in South Africa?
- What economic impact did the gaming industry have on the economy of South Africa?
- What measures can be put in place to sustain the gambling sector in South Africa?

1.6 Significance of the study

This research will contribute to the comprehension of the requirements for the long-term viability of the gaming sector in South Africa. Gaming industry is on the decline, but the sector still makes a substantial contribution to economic growth by creating jobs and providing funds for the government (Lim 2021). The current research will be crucial in rekindling public participation about the gambling industry and laws employed to regulate this sector. The Government of South Africa may use the findings of the present study to guide future gambling sector's decisions and policies. Fellow researchers and academics may use this study to benchmark future studies on Gaming.

1.7 Knowledge Gaps

Majority of the problems facing contemporary societies are growing more complicated, challenging, vivid, and divisive, there is a need for universal support because no amount of analytical work in any one nation, discipline, or hypothetical perspective will be sufficient to produce workable solutions. Organisation, environment, and people's behaviour appear to have reformed, both historically and currently, due to the cohesiveness of information and other resources. Thus, one of the most important elements that influence people's standard of living is their conduct.

As a result, this study looks at how well the gaming sector performs in terms of fostering long-term economic growth in the Republic of South Africa. This is due to the fact that no research has ever been conducted to investigate the leaks that compromise gaming performance from the viewpoint of natural, social and economical settings in the Republic of South Africa.

1.8 Limitations of the study

This research focuses on the organisations that are based in Durban, namely Gold Circle, Phumelela Gaming, and Hollywood bets and the customers of these selected organisations. The study cannot be generalised to the broader target population. The sample for the study is small, and thus the results of the study cannot be generalised. Furthermore, the samples selected do not represent the sample frame of all the selected horse racing companies.

1.9 Delimitations of the study

Some characteristics limit the scope and the restrictions of the study. These characteristics include determining the objectives, the research questions and variables of interest that have been adopted and the population that will be investigated (Simon 2010). The study was spatially delimited to the South African horse racing industry. The study is further conceptually delimited to the horse racing industry. The total sample size for the purposive sampling qualitative study was twelve respondents. This made it more difficult to obtain a thorough grasp of the problems and regulations pertaining to the country's gaming and betting industry. The Republic of South Africa was the exclusive focus of the study; if it had been undertaken elsewhere, the results might have been different. This limited the quantity of advanced knowledge that could have been produced regarding the transformational policies and the challenges associated with creating and upholding the legal frameworks that have an impact on the gaming and betting industry. The information acquired from several literary sources did not address important aspects of gambling and betting. The factors driving the ascent in status of South Africans who were previously marginalised and who have achieved success in the betting industry are still mostly unknown. A significant limitation of the entire research project has been the scarcity of pertinent data. The data collection techniques employed only qualitative data. Because no survey, primary data research method, or other research approach was employed, this study was unable to gather complete information about the data gathering process.

1.10 Definition of key terms

A number of fundamental ideas are central to the subject, including gambling, licences, players, player accounts, and placing bets or wagers. The definitions of these key phrases in relation to this study are taken into consideration below:

1.10.1 Gambling

Any activity that involves making or accepting a bet or wager is considered gambling for the purposes of this study. Liebman (2016) describe the definition of gambling as putting something of value on the line in the hopes of winning something, with no knowledge of the outcome for the player. In the view of Jack (2018), any activity that has the three components of consideration, chance, and prize is considered gambling; if any of these components is absent, the activity is not considered gambling.

Legitimate business transactions that comply with contract law are not considered gambling.

1.10.2 Licences

The idea of registering, approving, or certifying in accordance with any applicable laws is included in a licence (Nairac 2019). A licence is an authorization issued by a body to engage in business or render services (Rogerson 2022).

1.10.3 Placing a bet or wager

Putting money or anything of value on a fixed-odds bet or an open bet, with a bookmaker or on any contingency, or accepting a stake or anything of value on any of these terms is called placing a bet or wager (Gainsbury *et. al.* 2020). According to Lim (2021), a risk-taking scenario would involve someone betting something valuable, like money or a car, on the result of an unpredictable occurrence over which they have no control and which is mostly influenced by chance.

1.10.4 Player

Lim and To (2021) note that anybody who makes a wager or places a bet is considered a player . For the sake of this study, "gambler" and "player" are taken to signify the same thing.

1.10.5 Player accounts

An account registered in the player's name with an interactive provider is called a player account (Lambert 2022).

1.11 The organisation of the study

Chapter One: Introduction to the Study

The first chapter is the overview of the research, which highlights the introduction, background of the study, problem statement, motivation of the study, aim of the study, objectives of the study, research questions, significance of the study, definitions of the key concepts, limitations and delimitations of the study, thesis outline, and chapter summary.

Chapter Two: Perspective on horse racing sport

This chapter provides the relevant literature which includes an overview of horse racing in South Africa, a detailed organisational view of Gold Circle, Phumelela Gaming, and

Hollywood bets, an operational overview of the South African horse racing industry, Horse racing in the Global Environment, South African horse racing environment, horse racing in Durban, Kwa-Zulu Natal, Challenges facing the horse racing industry, internal and external factors affecting the horse racing sport in detail, and a summary of the chapter. The study will benefit from careful consideration of the literature review contents.

Chapter three: PESTEL and SWOT analysis as frameworks for analysing horse racing sport in South Africa

This chapter presents the PESTEL framework, and SWOT analysis of the horse racing industry. The PESTEL framework provides detailed political factors, economic factors, social factors, technological factors, environmental factors, and legal factors that are affecting the sport of horse racing in South Africa, As well as the SWOT analysis detailed the Strength, weaknesses, opportunities, and threats that are affecting the sport of horse racing in South Africa. Evidence of the decline in growth of the industry, leading to a decline in the number of owners, trainers, and turnover is provided.

Chapter Four: Research Methodology

This chapter focuses on the methodology that was utilised by the study, through the determination of the research objectives of the study, research design, research paradigm, population, sampling method, measuring instrument, construction of the interview questions, pilot study, data analyses, delimitations and limitations, validity and reliability, anonymity and the ethical considerations, and chapter research.

Chapter Five: Data Presentation and Analysis

This chapter entails data presentation and analysis, the response rate of the interviews that were conducted, response demographics, gender, age, ethnic group, size of the organisation, emerging themes, and Understanding of the customers' behaviour on outlets and telephone betting. The interviews that emerged are detailed in this chapter and chapter summary.

Chapter Six- Conclusion and Recommendations

The final chapter consists of the introduction, a summary of the study, a summary of the findings, revisiting the objectives of the study, recommendations, and limitations of the study, suggestions for further research, and the conclusion of the chapter.

1.12 Chapter Summary

This chapter introduced the research study. The background of the study is discussed and the problem statement. Chapter One further discussed the motivation of the study, the aim of the study and the Objectives of the study. The research questions were highlighted and the significance of the study, and the limitations and delimitations of the study were discussed. Chapter two will provide a detailed critical analysis of the literature review which forms the theoretical basis for the study.

CHAPTER TWO

PERSPECTIVES ON HORSE RACING SPORT

2.1 Introduction

Sustainability is a concept that is widely debated by businesses and individuals alike. It raises awareness and direct attention towards strategic decisions that benefit the economy, society, and environment. In business, sustainability implies that businesses should generate wealth and make people's lives better (Schaltegger, Hansen and Lüdeke-Freund (2016). Concerns about the environment as opined by Bolis, Morioka and Sznelwar (2017) are driving business establishments and people to manufacture, market, and consume more responsibly in an effort to reduce environmental harm. Environmentally harmful items and materials are produced and discharged by companies and individuals, result in significant pollution. Study of Shortall and Kharrazi (2017) has demonstrated that running a sustainable business can be profitable, and this has led to more sustainable technologies and creative ways to deal with environmental challenges proactively.

Finding innovative and long-lasting solutions is made simpler when the sustainability goals are used as a framework for handling such issues (Tomislav 2018). Vodă and Florea (2019) note that businesses bear a great deal of responsibility for preserving the needs and desires of future generations while simultaneously promoting a range of services and goods. Establishments need to be aware of market changes and develop appropriate plans to meet consumers' demands. The demand for sustainable solutions rises as sustainability gains greater recognition in the marketplace and in society (Uduji, Okolo-Obasi and Asongu 2021; Ogunsola 2023)

According to Ogunsola (2017), the gambling industry has successfully transitioned into a profitable sector in the twenty-first century by providing consumers with excitement, hope, and entertainment. This industry can be seen of as a component of the leisure sector, which also includes theme parks, cruises, vacations, and sports (Rieckmann 2018). The industry present itself as a legitimate business offering services for sale and a free market are reflected in its quick development (Woźniak and Pactwa 2017; Yacob, Wong and Khor 2019). However, its progress in implementing sustainable development strategies has been less clear. Discussions about the relationship

between sustainability and business, often evoke negative connotations and a host of unclear prospects for commercial endeavours.

To understand the relationship between the numerous stakeholders in the industry, this chapter examines the structure of horse racing on a global, national, and local level. It also draws attention to the difficulties the horse racing business faces, particularly the effects of falling earnings.

2.2 Horse racing sports: A Global Overview

Deloitte (2014) states that although still worth several hundred billion dollars in countries such as Britain, Australia, the United Kingdom, North America, and Canada, the horse racing industry has declined. Deloitte (2014) is saying this because of the economic decline in the horse racing sport is on-going. Gribben (2015) and Liebman (2016) also testify that the sport of horse racing continues to experience a decline. Thus, the decline in the gambling industry is a global phenomenon. Nevertheless, the context of that decline differs, a consequence of the various parameters of the environment.

Gribben (2015) further states that the British horse racing industry has declined, and the number of racing horses has dropped. The horseracing industry in the United Kingdom employs 86 000 people, thereby contributing £3.5bn to the economy and generating £10bn in betting income, however in 2015, that dropped by 7% (Gribben 2015). Liebman (2016) states that the sport of horse racing in the USA declined by 7.3%. Some of the major reasons are that horses in the USA are forced to race while they are still young, horses are abused by the jockeys and horses are whipped to the finish line. In addition, the growth of the industry in terms of more bookmakers being permitted and the continuous growth of online gambling affect the horse racing industry. Smith (2020) indicates that horse racing is not only declining in the United States of America but also in South Africa.

2.3 The Horse Race in Britain

Hisrich (2016:34) states that in Britain, the horse racing industry is facing a race against time. The industry is experiencing financial pressure, a decline in betting, fewer owners, and the number of horses in training has dropped. In addition, between 2007 and 2013, the number of horses dropped by 7%, and the return to owners dropped, resulting in the exit of 15% of sole owners. Only 40% of trainers are making money.

Drape (2019) adds that in Britain, horse racing is generational, as it became well-established in the 18th century. It continued to grow in popularity throughout the 18th century and beyond. By 1750, the Jockey Club was formed to control the Newmarket races, set the rules of the games, prevent dishonesty and make for a level playing field. The system of wagering was essential to the funding and growth of the industry and all classes participated from the poor to royalty. The high society was in control, and they made a special effort to keep the disruptions out and the criminal element away from the wagering. With real money at stake, the system needed skilled jockeys, trainers, grooms, and breeding experts thereby opening new prestigious careers for working-class rural men.

Drape (2019) adds that there are five types of horse racing. Flat racing, where horses gallop directly between two points around a straight or oval track, Jump racing, where horses race over obstacles, Harness racing, where horses trot or pace while pulling a driver in a sulky and Endurance racing where horses travel across the country over extreme distances generally ranging from 25 to 100 miles. In early 2000, the introduction of sports betting and other offerings were introduced in the market, which made it easy for the public to have few betting options as opposed to betting on horse racing only (Drape 2019). The British breeders were then challenged because it was cost-effective to breed *appaloosa*, American Paint horses, mules, and *Selle Francais*. When breeding horses became costly, trainers started losing more work, and as such the horse racing industry in Britain began to decline. The key point here is that Drape (2019) alludes to the fact that the breeding of horses has become very expensive and owners no longer find ownership of horses appealing.

Switzer (2013) states that in Britain, the core factors that affect the sustainability of horse racing from 2008 to date are that the owners incurred direct gross expenditure while receiving less income from the industry. The costs of running the industry continue to increase. He further states that the headcount declines by 8% year on year. Taxation is also affected because British racing generates over 1.4 billion pounds which is a larger portion than any other industry, the continued decline is affecting all stakeholders (Switzer 2013). Thus, major issues such as taxation are affecting the stakeholders of the British horse racing industry.

In addition, political changes continue to affect the industry by implementing regulations that impact the sustainability of the industry (Switzer 2013). This is coupled with the changing innovation in the global arena. Before the 21st century, it was normal

and the sport of horse racing was growing. The changes and the swift growth of technology globally led to the introduction of new forms of betting that affected the sustainability of the gambling industry. Punters have more betting options than before.

2.4 Columbia – Canada

Oaks (2017) states that the most famous horse racing events in Canada and Columbia are Kentucky Derby, Preakness and Queen's Plate, which were formed in 1964. They are successful and popular. But over the last few decades, according to Human (2017), there has been a decline in the sports of horse racing throughout Columbia and Canada. All industry stakeholders, i.e., owners, breeders, trainers, track operators, and racetrack employees strive to work together to ensure the sustainability of the industry. Human (2017) further states that only legal gambling options were available to citizens of Canada for many years. However, the introduction of casinos has resulted in traditional horse racing fans abandoning the tracks in favour of the competition. Thus, Human (2017) recognises the proliferation of illegal gambling outlets as inimical to the sustainability of the industry, a situation that harms the industry in South Africa.

Switzer (2013) posits that the industry's core employment has reduced from 20 000 full-time to 17 400. Bookmakers were retrenching due to pressure arising from the introduction of new regulations and the change in the economy such as the spending levels which were getting lower in the most recent period. In addition, race courses reacted to the financial pressures on their consumers by limiting ticket price increases. As with many sports, there was a softness in the corporate hospitality market as firms were unable or reluctant to be seen to entertain their staff and clients. This shows that the economic pressure in the industry is unbearable.

Stanley (2014) states that illegal online gambling was a challenge to the growth of the industry in Canada. The Canadian security intelligence service and Royal Canadian Mounted Police are still fighting this organised crime. While members of the public consider this as a primary source of income, its proliferation is affecting the sport of horse racing in Canada. Stanley (2014) further adds that illegal gambling in Canada includes many offences such as keeping common gaming or betting house, deals with illegal betting, Bookmaking and pool selling, Lotteries and other games of chance, cheating at games of chance with the intent to defraud either the customer or the house. All these forms of illegal gambling affect the sports of the horse racing industry.

Given the above, the introduction of casinos and the change in technology has exposed the industry to illegal gambling, which led the public to take advantage of the tax-free revenue. The horse racing industry plays a vital role in the economy of Canada. However, the continued decline increased the unemployment rate and caused the industry to be unsustainable (Stanley 2014).

2.5 United States of America

According to Alabama (2015), horse racing in the United States and North America dates to 1665. This saw the establishment of the Newmarket racecourse in Salisbury New York. The first Race meeting in North America was supervised by New York's colonial governor, Richard Nicolls (Alabama 2015). Over the years, a few more racecourses were built as the horse racing sport continued to grow. Alabama (2015) further stated that in 2004, the sport of horse racing in America started to decline, with the exportation of thoroughbred horses. Americans betting on horse racing was sanctioned and regulated by the state where the race was located. Simulcast betting existed across state lines with minimal oversight except for the companies involved in legalised pari-mutuel gambling. A takeout is removed from each betting pool and distributed according to state law.

Huizemark (2019) states that the sport of horse racing has been declining by 9.8% since 2009. In 2010, a further decline of 8.4% was recorded. In New York, there has been a yearly- decline of 10%, caused by the rising of Basketball betting, football betting, and the introduction of Bet Games. The rising of casinos and changes in games such as blackjack and the time that the casinos are being operated have added to the decline of the horse racing industry. The United States of America horse racing decline is similar to that of South African because, as Novuka (2019) has noted, the introduction of sports betting such as soccer, LPM's, bingo, and casinos has changed world gambling. With more betting options, most customers no longer find the horse racing industry attractive.

Annie (2014) states that by the time the great depression descended on America, horse racing was already in a deep freeze. It had gone cold during the first decade of the twentieth century after a series of race-fixing scandals triggered a wave of legislation making betting illegal. Race fixing in the United States of America is one of the major contributing factors affecting the sustainability of horse racing sport.

Horse racing sports play a vital role in the economy of all countries. The horse's power and the excitement of racing attract many people, hence there is always a possibility of payday that promises an early relief from the tight clamp of poverty. In the early 1990's it is evident that punters had only one betting option which is horse racing, the introduction and regulation of lotteries, casinos, basketball and football betting further damaged the horse racing industry.

2.6 Horse racing in the Sub- Saharan region

There are 54 countries in Sub-Saharan Africa, and horse racing in these countries is cultural and important (Hartman 2016). Horse racing in these countries is monitored by the Friedrich Naumann Foundation which ensures that stakeholders adhere to proper training and racing rules and regulations. In the Sub-Saharan region, the horse racing sport is very wide, and African countries have developed their traditions around the sport.

2.7 Mauritius

The sports of horse racing in Mauritius is seasonal, usually starts in March and ends first weekend of December which average of 8 horses per race. There is a very high level of professionalisim in the sports of horse racing in Mauritius. With the change of regulation and Soccer betting being permitted in the country, the horse racing sport has continuously declined, though this might be because of a lot of factors such as a change in the economy, and many more factors. Conrad (2019) states that in Mauritius, one of the key factors that affect the sustainability of horse racing sports is horse injuries which are long-term and take time to heal. They are chronic injuries that eventually lead to a racing horse being put down. As bones and muscles experience stress during exercise, they undergo microdamage as part of their normal adaptive process. Ideally, this process helps in strengthening both the bone and muscle. This is because race horses are overstrained and do not adapt well to training, and inflammation.

2.8 Nigeria

Igo (2020) state that Nigeria has yet to participate in horse racing sports fully. However , it is mainly practiced locally as the sport is yet to be promoted just like every other popular sport in Nirgeria. Horse riding centers and clubs are:-

1. Ikeja Saddle Club which is located in Lagos
2. Parkland Resort Club which is located in Abuja
3. Saddle Club which is located in Port Harcourt
4. Port Harcourt Polo Club which is located in Abuja Horse and country club

Igo (2020) further stated that the sport has gone through a virtually change, as exciting as the sport is but in Nigera, however the sports provide a unique environment for hrose raing. Furthermore Nigeria has a loyal following for horse racing but remains very niche when compare to other mainstream sports.

Ndlovu (2020) further states that many of the world's countries do not have legislative frameworks on the legality ofonline gambling. As such, many Nigerian citizens have access to the internet. In most corners, people are engaged in gambling from all the different illegal websites. Consequently, it contributes to the yearly decline in the turnover of horse racing in the country which is not populay.

2.9 Evolution of horse racing sport in South Africa

Horse racing in South Africa dates back to 1797 when the first race took place in Cape Town, (Moodie 2019). Since then, the industry has evolved into a multi-faced operation. Natha (2016) indicates that there are two racing operators in South Africa: Gold Circle (PTY) Ltd, controlling racing in Kwa-Zulu Natal (KZN) and Phumelela Gaming and Leisure limited, which controls racing in the remainder of the provinces. The national horse racing body in South Africa is now called the National Horseracing Authority (NHA), previously operated under the name of the Jockey Club of South Africa, founded in 1882 (Moodley 2019). The primary funders for the NHA are Phumelela and Gold Circle. Three major races stand out above the rest, one in each of the three biggest cities in the country. Turffontein in Johannesburg hosts the Summer Cup, while Cape Town Star attraction hosts the Summer Cup and the Durban primary event is The Vodacom Durban July, which began in 1897 at Grayville (Moodie 2019).

Natha (2016) adds that like any other sport, horseracing is governed by the National Gambling Board (NGB) which oversees gambling in the country. The NGB evaluates

the issues of national licences, and compliance monitoring of licensees and conducts oversight of the performance of provincial licensing authorities. The oversight responsibility is meant to ensure that the national norms and standards established by the regulating legislative frameworks are applied uniformly and consistently throughout the Republic. The NGB also undertakes research and monitoring of market conduct and shares. The gambling board further assists in ensuring that unlicensed gambling activities are detected.

Natha (2016) further adds that online gambling is illegal in South Africa. The only accepted online betting is through licensed bookmakers. In recent years, however, there have been reports of the proliferation of online gambling even though the NGB pledged to clamp down on illegal betting activities.

2.10 Sustainability in the Gambling Industry

Given the dwindling fortunes of the gambling industry, countries are seeking diversification for sustainable growth and development. This measure aimed at reducing the focus on the gambling industry to explore other means of economic growth in the tourism sector (Lee, Peng, Lee, and Zhao. 2022). Given the volatility of the competition associated with its operations, scholars and stakeholders have expressed concern about the sustainability of the industry (Scholz 2019). Sustainability in the gambling industry connotes the survival and persistence ability and capability of the game amid a threatening and challenging environment (Nystrom, Mccauley, Macey, Scholz, Bescombes, Cestino, Hiltcher, Orme, Rumble, and Torhonen 2022). This implies that the sustainable gambling industry requires continuity in both operations and the patronage of communities to develop, grow and stay competitive (Freitas, Contreras-Espinosa, and Correia, 2021; Lee, Peng, Lee, and Zhao 2022; Nystrom et al, 2022). There are different sustainability perspectives. This cuts across the economic, social and environmental context (Haji- Rasouli and Kumaras 2016; Nystrom et al, 2022; Freitas et al 2022). These three factors are interwoven. The economic situation determines the social well-being of people within the context of their cultural environment. Economic sustainability in the gambling industry entails the need to undertake effective utilisation of resources in a manner that would engender growth (Haji- Rasouli 2016). Punters and patrons of the game of sports require economic resources to bet. The more clement economic situation, the more the ability of people to continue betting and the more resources to keep the organisations in operation.

This economic situation is vital because it defines the physical and social well-being of people in society. Thus, social sustainability connotes the ability of citizens to meet their basic needs and the quality of their lives in an equitable society (Lee, Peng, Lee, and Zhao 2022; Liu and Lin 2022; Haji Rasouli 2022). Punters will be able to patronise and participate in gambling when they have enough resources or prospects of increasing their income through betting. Without such patronage, the gambling industry will be sent out of maret as the dearth of resources will not allow them to survive.

2.11 Sustainability Model for the gambling sector

The sustainability model was the conceptual framework for this study, which focused on business sustainability strategies for the gambling sector. This theory has three principles: economic, social, and environmental sustainability. The World Commission on Environment and Development proposed the theory of sustainability in 1987, which stipulates that sustainability requires meeting the basic needs of all stakeholders and outspreading to all the prospect to meet stakeholders' wishes for a better life. The primary aim of sustainability according to the World Commission on Environment and Development (1987), is the satisfaction of human needs and ends. Therefore, sustainability is a change procedure whereby resource exploitation, the mode of investments, the orientation of technological development, and institutional change are in agreement and improve both present and impending potential to meet the needs of people and aspirations.

The World Commission on Environment and Development's sustainability theory was relevant in this study for the reason that gambling industry in South Africa could implement the principles to explore active business policies that could permit them to sustain their operations. By relating principles that ensure environmental defense, constructive society influence, and attainment of the business drives of growth and profitability, gambling industries could sustain their operations for long period of time.

The understandings acknowledged in the sustainability theory was the lens for realizing the business sustainability principles that gambling industries in South Africa practice to stay in business for long period of time.

According to Willard (2020), sustainability model developed for sports tourism include the environment, society and economic. Typically, the environmental pillar receives the greatest focus. Preserving the environment through risk reduction and environmental impact assessment of business operations is the cornerstone of the environmental pillar. Reducing the water usage, packaging waste, carbon footprints, and other environmental harm is a top priority for many businesses. These actions can benefit the economy in addition to the environment. On the surface, the gaming industry may not seem to have a significant influence on the environment. However, a closer look reveals that gaming fuels demand for carbon emissions from sources like data centres and business travel. For this reason, it is imperative that gaming companies consider ways to lower the overall carbon footprint of their business, like mandating the usage of renewable energy in data centres. (Willard 2020).

Promoting equality and respect for individual rights according to Ruggerio (2021) is what is meant by the social pillar of a business sustainability. There are the guiding ideas that this pillar is built upon. By aiding in reintegration, promoting gender equality, closing the gender wage gap, fostering training, fostering communication, and implementing international social rights, social exclusion can be fought as well as discrimination. Employees, stakeholders, and the society in which this principle works should all be in favour of a sustainable business (Ruggerio 2021).

Theodore and Sotiris (2016) state that an economic pillar is predicated on an organization's capacity to foster economic expansion and development. Most firms feel more secure when it comes to the economic pillar of sustainability. A firm needs to turn a profit in order to survive. Profit, however, cannot take precedence over the other two pillars. Actually, the economic pillar does not care about profit at any cost. It has to do with risk management, appropriate governance, and compliance. Organisations or businesses need to minimise the risks associated with their production to support and encourage environmental conservation (Theodore and Sotiris 2016).

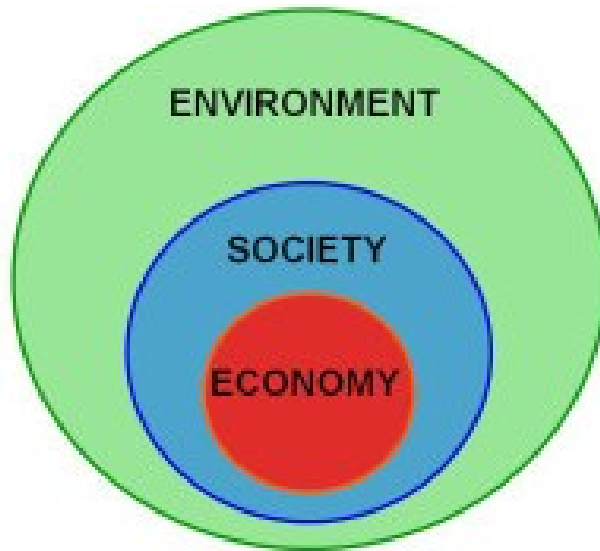


Figure 2.1 Sustainability model

Source: Willard (2020)

Some authors (Philander et al. 2022; Wonga et al. 2021) have stated that the financial status of most South Africans has contributed to the instability in the gambling industry. Scholars have noted the need for change in the economic model for sustainable development. The success of the gaming tourism business does not come accidentally or by fortunate circumstances, but it is based on multi-step plans and renewal of all different economic models.

The insatiable consumption and production are causing environmental resources to become increasingly scarce. This kind of behaviour causes poverty, inequality, unemployment, hunger, and other issues. If it persists unchecked, economies will not be able to support these outcomes. Environmental, social, and economic activity have all suffered as a result of this influence. For businesses, sustainability offers a broader goal and some fresh deliverables. They can reaffirm their dedication to fundamental objectives including productivity, long-term expansion, and profit for shareholders (Mensah 2019; Heggen, Sandset and Engebretsen 2020).

The situation has prompted governments worldwide, as well as private citizens, financial institutions, and several corporations, to search for solutions to end these issues. The gaming business is one of the suggested answers to these problems because it is well-known to contribute to sustainability and economic growth (Kunjuraman 2022).

2.12 The Operational Geography Layout of Horse Racing in South Africa

The table below show the geographic location of where the betting outlets are in South Africa as well as the betting outlets that have fixed odds, Tab and call centre. The geographic map also show the respective race courses that we have in South Africa.

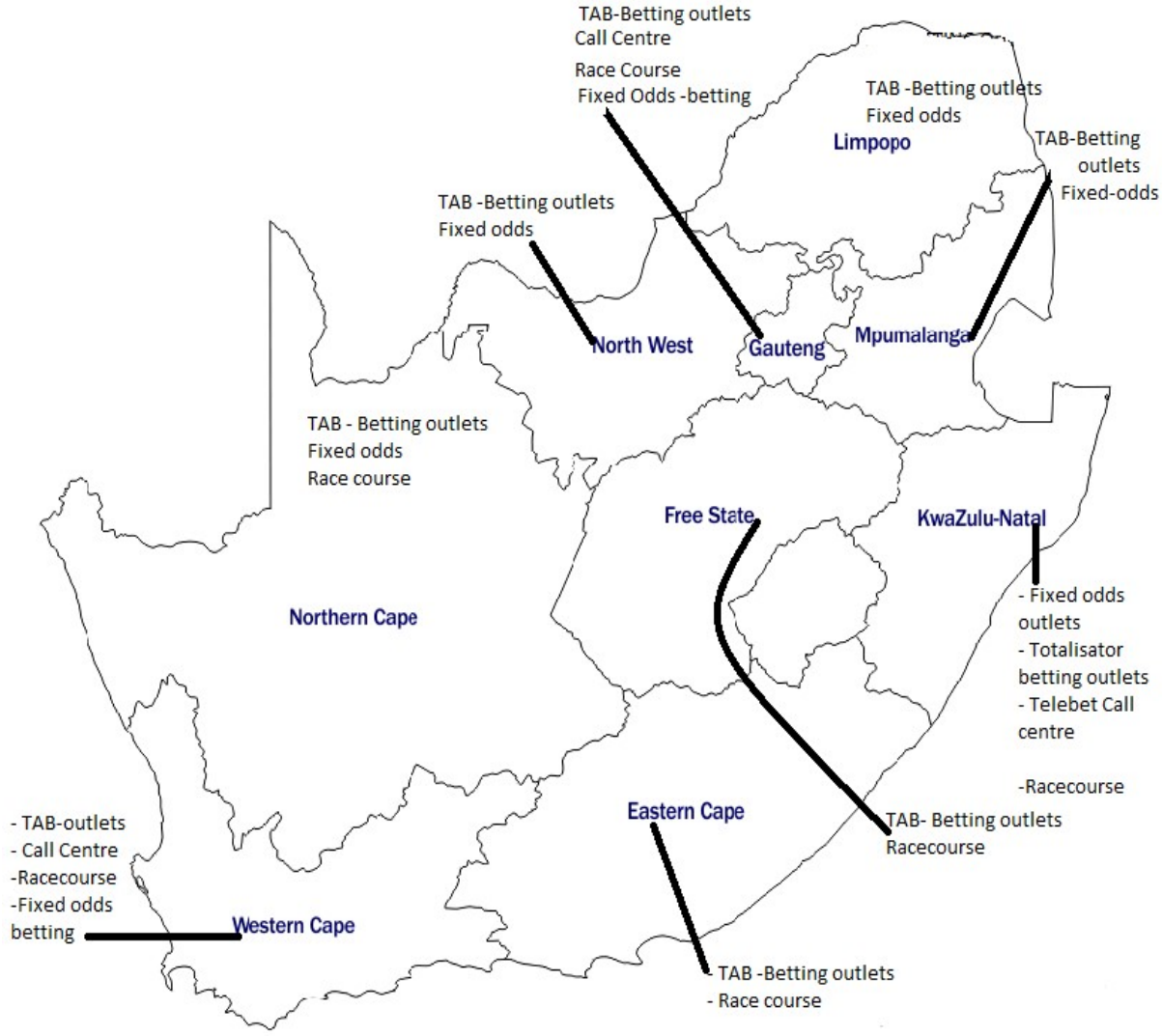


Figure 2.2 Geographical Layout of Racing in South Africa

Source: Statistics South Africa: <http://www.statssa.gov.za/>

Scott (2019) states that after the discovery of wealth in Kimberly, for diamonds, and Gauteng, for gold, the racing industry was able to attract more wealth interest in horse betting in South Africa. Within years of the discovery of gold in South Africa, the Johannesburg turf club held its first meeting in June of 1887. Figure 2.1 illustrates the provinces and their racecourses. Western Cape has Kenilworth, Eastern Cape has

Fairview, Kwa-Zulu Natal has Grayville racecourse and Scottsville, Free State has Flamingo Park, Gauteng has Turffontein and Vaal and the rest of the South African provinces such as Limpopo, Northern Cape, North West, and Mpumalanga do not have race courses but have Bookmakers and Totalisators.

2.13 Horse racing in Kwa-Zulu Natal

Brick (2016) states that the revenue from the horse racing sport in Durban has reduced by R520m in 2014 and R720m in 2016. Although events such as The Vodacom Durban July, The Gold Cup, and Rising Sun, which is hosted by Gold Circle, bring a huge population to KZN, one of the key issues is that people do not spend on horse racing, instead, people spend a lot of money on their fashion and hospitality.

GDP is calculated by measuring the monetary value of all final goods and services produced within the country and include the sum of value added at each intermediate stage of production. A comprehensive study that was conducted in 2016 (National Gambling Board of South Africa, 2016) stated that KZN lost over R689 million in GDP. The horse racing sport used to contribute 25% of the GDP and only contributed R1.4 million in 2015. Employment has been affected by the decline of the sport of horse racing. For instance, Gold Circle was forced to retrench 600 staff.

Pillay (2018) states that the horse racing sport in KZN also plays a vital role because the industry contributed R294m to the provincial government and R500 million to the national government in the form of direct and indirect taxes. Part of the licence regulation is that each licence holder is required to contribute to the economic development and quality of life of their employee, their families, the community, and society at large. This is called Corporate Social Investment (CSI). Gold Circle is very much involved in the Rural Horse racing industry through its partnership with various stakeholders from the rural horse racing industry. It focuses on infrastructural development and enterprise creation in underdeveloped rural areas such as Dundee for the Dundee July, and Nkandla for the Nkandla July (Pillay, 2018).

2.13.1 Gold Circle

Loker (2019) states that Gold Circle is a licenced betting operator, regulated by the KwaZulu Natal gambling board. Gold Circle started operating in 1996 and has grown from strength to strength with just under 1000 employees. Horse racing staged by Gold Circle is conducted under the rules of the National Horseracing Authority of South

Africa. Gold Circle has two intermediary betting companies, namely Totalisator, which has just over 120 outlets across KZN, and Track and Ball, which is a fixed-odds business of Gold Circle and has 12 bookmaking outlets. However, as of 2010, Gold Circle has been experiencing a decline in turnover. For example, total totalisator bets struck in the financial year amounted to R1.39 billion in 2017, when compared to the R1.51 billion in 2016 and the bookmaking subsidiary which is Track and Ball was R26.1 million in 2017 when compared to R29.9 million in 2016, the decline of 1.4% equals an R14.4 million loss to the company, Loker (2019).

The findings concur with Loker (2019) who states that Gold Circle could not hide the fact that customer service is not Gold Circle's strength, despite numerous programmes to try and address staff training and skills development. This is an internal factor that is affecting Gold Circle. Furthermore, bookmakers offer a far wider range of betting options and can easily penetrate the market that totalisators cannot. This is another weakness of Gold Circle. Nireck (2019), the C.E.O. of Gold Circle, stated that there had been a huge disagreement between the government and the organisation. The government charged Gold Circle to court for lack of transformation but the Board of the organisation denied this allegation. This is an ongoing challenge that is causing an expense for Gold Circle.

2.13.2 Phumelela Gaming

Stuart (2018) indicated that Phumelela is a licenced betting operator that operates in all other provinces except KwaZulu Natal. The company was established in 1997 and was listed on the JSE (Johannesburg Stock Exchange) in 2002. Phumelela also has both totalisator and bookmaking businesses, with a total of 1600 employees. Phumelela Gaming has 226 totalisator outlets and 82 bookmaking outlets. However, internal factors, such as the lack of proper staff training, are affecting the sustainability of the organisation. Ramafalo (2018) indicated those other internal factors such as legalised gambling and the regulation of cross-border gambling, all affect the organisation's sustainability. External factors such as politics, interactive gambling, and government tax are affecting the organisation. Furthermore, Phumelela Gaming has been experiencing challenges of a decline in turnover by 8%. In addition, Phumelela Gaming purchased the Betting World, which regulated Phumelela to operate all over South Africa.

2.13.3 Hollywood bets

Rampersad (2018) states that Hollywood Bets are a bookmaker group that started operating in 2000 and joined the online community in 2006. Given the profitability of its online business, the organisation further launched its mobile website in 2009. Hollywood has over 100 outlets across South Africa. It is also regulated by the KZN gambling board. Hollywood has over 5000 employees. Hollywood is strictly a bookmaker. Moodie (2018) defines a bookmaker as any company that directly or indirectly lays fixed odds bets or open bets with members of the public or other bookmakers or takes such bets with other bookmakers or with the holder of a totalisator license. Although Hollywood Bets is a bookmaker business, it still offers totalisator bets. This has made it an agency of Gold Circle, meaning there are Gold Circle outlets inside some Hollywood bets branches. The organisation started declining in 2010, and its turnover was down by 18% in 2018. External factors such as government legislation, competition, and public opinion, are all the factors that are affecting the sustainability of Hollywood bets.

2.14 Key Stakeholders in horse racing

Horse racing is a passionate business in a very complex and unique industry that does not resemble other industries. It is diverse, comprising several interrelated activities and its supply chain comprises many inputs and outputs.

2.14.1 Breeders

Breeders are the first link in the supply chain of horse racing. Breeding/ farming is a human-directed, selective process of controlling reproduction in horses. A horse breeder's main function is to develop the foal which is the "product" through the matching of pedigree, coverings and foaling down (Gauci 2010). A successful breeder must have a wider spread of knowledge of animal welfare issues, pedigrees, business management and the rules and regulations relating to thoroughbred breeding.

Breeders in SA are represented by the Thoroughbred Breeders Association (TBA). They must be registered with the Thoroughbred Stud Book of SA which, in terms of government regulations, is maintained by the NHA. South Africa once had a thriving breeding industry. But there are indications that the breeding sector is facing

challenges. Of concern is the fact that the number of registered horse breeders in KZN has declined by 31% from 2010 to 2014 (Moodly 2018).

2.14.2 Owners

Moodley (2019) states that ownership of a racehorse can be an exhilarating, exciting and adrenaline-filled experience. It is, however, also a speculative venture as horses are not machines but athletes, and there is no “guarantee” that the investment would “strike gold”. Although the risks are high, the rewards, both financial and emotional, can be substantial.

Racehorse ownership was once the preserve of the rich, but this is no longer the case, as owners now come from diverse backgrounds with varying motivations. Ownership can be attained through public bloodstock auctions, a recognised trainer or agent, private sales from a trainer or breeder, or through breeding one’s horses. Every owner must be registered with the National Horse Racing Authority of South Africa (NHRASA). Upon acceptance of the application, an individual might obtain racing colours from the NHRA. These will be the colours/ silks worn by the jockey when riding in a race.

Ownership can take various forms.

- (i) Sole Ownership – the advantages of being an individual owner include having one’s horse race in one’s exclusive colours, making all the decisions with the trainer, and being the sole beneficiary of any stakes earned at the races. The disadvantage is that one bears all the risks and costs.
- (ii) Partnerships – Ownership becomes more accessible because costs can be shared, and owners can spread their investments and shares in more than one horse. The benefits and the experience are also shared. Partners can jointly choose the colour/silks for their partnership or can race in the colours of an individual member.
- (iii) Syndicates – comprise between five and twenty people. It is a low-cost option, allowing owners to invest in a few horses, increasing the opportunity of winning. The syndicate chooses a “nominee” to act on its behalf and the identity of the other members of a syndicate can remain anonymous (Nathan 2018).

- (iv) Companies' closed corporations and trusts can also register with the NHRA as owners.
- (v) Leasing a horse from the owner, usually a breeder is also an option, the terms of the lease may vary but it is generally for a fixed period.

2.14.3 Trainers

In SA as is the case throughout the world, most individuals become trainers because of family involvement or their love/passion for horses. An individual does not require a specific degree or qualification to become a trainer but must prove his knowledge of the regulations and general horsemanship skills or racing through written and practical exams. He can learn the ins and outs of the business by serving as an apprentice with an experienced trainer. Trainers and Assistant trainers must be licensed by NHRA. (Moody 2018).

Trainers work long hours as often as six to seven days a week, often starting as early as four in the morning. Their days are spent mainly outdoors. Horses are often shipped to various racetracks across the country so trainers may travel frequently.

Trainers derive their income from charging their owners a fixed monthly fee which is calculated to cover all costs related to the training of a horse and includes such items as feed, stable rental, and wages. Any work carried out by a farrier or vet is billed to the owner separately. In addition, trainers generally earn ten per cent of all prize money won by horses that they train, (Nathan 2018).

2.14.4 Jockeys

Moody (2018) states that Jockeys are self-employed and are engaged by trainers to ride their horses at various race meetings. Their remuneration comprises a riding fee for each race that they participate in and a percentage of stakes won by the horses they ride, Jockeys are highly trained and individuals wanting to become professional jockeys in SA must attend the South African Jockey Academy (SAJA). The academy operates in both Summerveld (KZN) and Gauteng and has satellite campuses in Cape Town and Port Elizabeth. It is the only institution in SA that offers a practical apprentice programme.

In addition, to participating in races, jockeys must be licensed by the NHRA and agree to comply with the rules and regulations of the NHRA. A jockey found guilty of

contravening these rules depending on the seriousness of the offence, may have to pay a fine and or maybe be suspended during which time he does not earn income.

Moodie (2018) further states that Jockeys can gain fame and popularity, especially through the possibility of riding in big races like the Vodacom Durban July. Skilled jockeys have a very high earning potential. However, it can also be quite a risky profession as during their career, most jockeys will sustain injuries and broken bones from falls during work riding training or races.

2.14.5 Operators

The structure of the two thoroughbred racing operators in South Africa is Gold Circle and Phumelela gaming. The operators have both a racing licence to stage races and a totalisator licence which gives them exclusive rights to sell bets using the pari-mutuel betting system as well as Bookmakers licenses. Nathan (2018) states that Pierre Oller, a French businessman introduced the pari-mutuel betting system in 1865. All bets of a particular type are pooled together in a pari-mutuel betting system. Deductions are made in respect of taxes and the operator's share of profit and net pool pay-out odds are calculated and distributed among all winning bets. The racing operator is also responsible for paying out stakes to the owners, and trainers and jockeys on behalf of owners. Breeders, Owners, Trainers, Jockeys, Operators, and regulators all play an important role in the industry.

2.15 Chapter Summary

Chapter two presented an overview of horse racing from the global, regional/continental, and South African perspectives. The chapter also discussed the evolution of horse racing sport in South Africa. A detailed analysis of the stakeholders of the horse racing sport was also detailed in this Chapter. The evolution of horse racing sport unfolds the difficulties that the stakeholders face in the industry and the challenges that the stakeholders such as the operators, the jockeys, and the trainers demonstrate the difficulties in ensuring that the industry is sustainable. Chapter three unfolds the PESTEL and SWOT as frameworks of analysis of horse racing sport in South Africa.

CHAPTER THREE

FRAMEWORKS FOR ANALYSING HORSE RACING SPORT IN SOUTH AFRICA

3.1 Introduction

Sustainability has evolved in response to a variety of perspectives. This research uses a multi-theory approach derived from positivist philosophy. Therefore, analysing businesses' sustainability cannot be done using a single theoretical framework. To better understand the sustainability policies of gambling industry, the researcher thus draws on theories related to agency, legitimacy, signalling, voluntary disclosure, stakeholder, and stakeholder responsibility, institutional theory and PESTEL Framework to the horse racing sport. Because these theories are pertinent, applicable, and have complimentary components that help address the disingenuous facts, the researcher used them to conceptualise this study (Nishitani, Unerman and Kokubu 2021; Rouf and Siddique 2023).

3.2 Voluntary disclosure theory

According to proponents of voluntary disclosure theory, businesses will reveal positive information (good news) to boost stock price and hide negative information (bad news) to lower market value. According to Boateng, Tawiah and Tackie (2022) weak performers lacking distinguishable performance levels will therefore be unable to replicate the amount of sustainability information reported by organisations that execute commercially effective sustainability performance. Sustainability reporting and performance are expected to positively correlate, according to voluntary disclosure theory (Nishitani, Unerman and Kokubu 2021; Monteiro, Pereira and Barbosa 2023).

3.3 Stakeholder theory

Freeman (1994) introduced the stakeholder idea with his groundbreaking work. Stakeholder theory proponents say that directors and managers have several fiduciary duties to stakeholders. Companies are under pressure from stakeholders to perform morally and ethically as expected Freeman (1994); they are also under pressure to increase positive externalities and decrease negative externalities. According to the philosophy, businesses ought to act as sustainable performers and decent corporate citizens. Stakeholder theory indicates that, in this context, high performers in sustainability will typically provide stakeholders with more information about their performance (Valentinov, Roth and Will 2019; Valentinov and Chia 2022). This theory

is applicable in the horse racing industry because all these companies have individuals who have different affiliation with the business. All the horse racing operators have a duty to remain sustainable and generate revenue for shareholders and ensure that they remain sustainable. Stakeholders such as punters believe in a theory of “best life, or one size fits all, the public pressure that the sports of horse racing is deals with and the operators must deliver.

3.4 Stakeholder accountability theory

In theory of stakeholder accountability, businesses are seen as quasi-public entities that answer to society (Collier 2008). Theorists contend that corporations exercise their influence because other stakeholders' interests must be safeguarded by law in order to prevent possible corporate exploitation (Clark 2019). López-Arceiz and Bellostas (2020) contend that proper regulation is necessary to guarantee genuine accountability, since it facilitates more equitable reporting on sustainability that include both positive and negative news. Rather from monologic views, which do not offer a multi-perspectival environment, theorists support a more open, transparent, democratic society with multiple stakeholder participation (Bacq and Aguilera 2022).

The theory's proponents contend that in the face of information asymmetry, stakeholder accountability cannot be ensured by market forces alone (Keay 2017; Miller 2022). Theorists of stakeholder accountability have questioned sustainability reporting due to inconsistencies between the language used by businesses in their reports and performance data obtained from outside sources (Pilon and Brouard 2023). Companies are more concerned with improving their reputation than they are with actually being accountable to society through the implementation of corporate citizenship and sustainable development. Accordingly, sustainability reporting is seen by proponents of stakeholder responsibility theory as a symbolic stakeholder management ploy (Rouault and Albertini 2022). Theorists contend that regulations should be put in place to ensure accountability rather than relying just on reporting corporations' free will (Pilon and Brouard 2023).

3.5 Signalling theory

According to Yu, Rothenberg and Moore (2021), signalling theory is an economic theory that explains why sustainability exposure serves as a tool for legitimacy. The voluntary reporting idea is expanded upon by this hypothesis (Choudhury, Kim and Ramkumar 2022). Businesses overdisclose their sustainability performance by lowering the information asymmetry principal-agent problem with stakeholders via greater transparency (Al Lawati and Hussainey 2021; Choudhury, Kim and Ramkumar 2022). Accordingly, ethical businesses publish sustainability reports to demonstrate their exceptional dedication to sustainability and to profit from their deeds. To set themselves apart from underperforming firms and emphasise accountability to stakeholders, superior organisations communicate their high-quality disclosures (Choudhury, Kim and Ramkumar 2022; Kumar and Singh 2023). External stakeholders receive a series of signals that express a favourable but imperceptible managerial.

3.6 Legitimacy theory

One of the most common theoretical underpinnings in the literature on sustainability is legitimacy theory (Deegan 2019). According to Islam, Kokubu and Nishitani (2021), legitimacy is the general consensus that an organization's actions are consistent with a society founded on a social contract. Any such discrepancy is referred to as a legitimacy gap (Amir, Rehman and Khan 2020). A company's ability to continue operating in society is jeopardised if it violates the terms of the social contract (Herbert and Graham 2022). Similar to this, if businesses disregard their social obligations to communities, society may sanction them (Martens and Bui 2023). Businesses should therefore close the legitimacy gap that exists between societal expectations and corporate operations. Legitimacy is in jeopardy when social norms and ideals are broken (Herbert and Graham 2022; Martens and Bui 2023). According to (Martens and Bui 2023) this theory addresses how businesses react to societal expectations.

3.7 Institutional theory

According to Shubham, Charan and Murty (2018), the institutional theory, a company's capacity to submit to normative, mimetic, and coercive institutional influences determines how successful it will be. The institutional theory explains the choice of sustainable practises and the reasons why some sustainability initiatives are more ingrained in the corporate sector (Aguinis, Villamor and Gabriel 2020). Businesses are more likely to comply with unclear legislation when they face coercive pressure from a

dominant organisation. The business gains legitimacy via institutional theory, institutional environment, and institutional isomorphism. Institutional theory, according to Massi, Rod and Corsaro (2021), is a useful addition to legitimacy theory because businesses typically employ institutionalised norms, laws, and regulations to establish legitimacy. Consequently, alterations to legal statutes, regulatory policies, and institutional standards and principles impact an organization's conduct (Díez-Martín, Blanco-González and Miotto 2022). The idea states that the most important institutional component of government regulation is the adaptation of corporations to pressures in order to earn or maintain legitimacy (de Grosbois and Fennell 2022). According to de Grosbois and Fennell (2022), however, the majority of dishonest actions are prompted by lax government regulation; thus, regulation influences misleading conduct.

3.8 Impression management theory

According to impression management theory, managers utilise sustainability intelligences to selectively reveal information that favours the business and themselves rather than all stakeholders (Sun, Fang and Zhang 2021). In this way, they employ an assertion whether on purpose or accidentally to promote the image of the business. Businesses use impression management strategies to create a positive public image by implementing symbolic sustainability exposure (Zeng, Momin and Nurunnabi 2022). By minimising narrative disclosure, impression management strategies obfuscate, conceal, or omit information (Sun, Fang and Zhang 2021). Under demand from stakeholders, businesses use impression management techniques to gain credibility (Pernelet and Brennan 2023). Businesses boast about their sustainability efforts in an effort to project a best-in-class image. Greenwashing does exist, nonetheless, even in self-described sustainable leadership for impression management (Goodman and Lehto 2023). The researcher discovered that in the sport of horse racing industry impression management theory is applicable in the following two strategies:

- Ingratiation: where Hollywoodbets is being favoured throughout the industry. Punters always complement Hollywoodbets, through the use of many different marketing strategies impression management tactics strengthen the effects of how punters perceive an organisation.
- Self-promotion is used to be unique and stand out to win customers. High level of performance is required to maintain competitive advantage and remain sustainable.

3.9 Agency theory

According to Daugaard and Ding (2022) agency theory serves as a means of elucidating and resolving allegations of knowledge asymmetry between agents and principals when the latter utilise sustainability reports to justify their self-serving and morally dubious actions. When communication is transparent, sustainability reports help reduce agency costs and information asymmetry (Schaedler, Graf-Vlachy and König 2022; Pilon and Brouard 2023). The theory is very much applicable in horse racing hence the researcher works in the industry and has questioned, and the response was that some trainers often prepare their own horses for races in addition to having outsiders horse races in their stables or care. Utilising the betting market data to infer the expected performance of a horse. The researcher further discovered that during betting owner-trainer horses outperform outsider- trainer horses, indicating that the this principle-agent relationship is characterised by agent shirking. If the owner holds a large proportion of the horses in the trainers stable, the shirking effect may be mitigated but not eradicated.

3.10 Application of the PESTEL framework to the horse racing sport in South Africa

Since the legalisation of gambling in South Africa in 1996, the industry grew and evolved sustainably. Factors such as the advancement of technology have created new forms of gambling and have created a series of challenges that are affecting the sustainability of the sport of horse racing. Furthermore, some forms of illegal gambling have persisted and appeared to be growing in popularity. This is affecting the sustainability of the horse racing industry. This chapter discusses the PESTEL and SWOT as frameworks for analysis of the sustainability of the horse racing sport in South Africa.

Political, Economical, Social, Technological, Environmental and Legal (PESTEL) analysis is a framework used by marketers to analyse and monitor the macro-environmental factors that have an impact on an organisation (Britt 2019). Political, economic, social, technological, environmental, and legal are independent factors that affect any organisation, and these tools are used to test the sustainability of an organisation.

Mitchell (2019) views PESTEL analysis as a strategic planning tool that is used to examine various factors that affect the market environment for a business or organisation. The goal of the PESTEL analysis is to develop a profound understanding of the external environment in which the organisation operates hence the use of PESTEL analysis is important to evaluate the sustainability of South Africa's gambling sector.

Britt (2019) adds that the PESTEL analysis is used to evaluate external factors that affect a business. The political factor determines how the current direction of political activities and decisions may influence business development and growth. These include tax policy, regulations, government stability, rule of law, levels of political corruption, and major changes via new legislation or disruptions in the political environment. The economic factor examines the effects of interest rates, taxes, business cycles, and the impact of globalisation on the economy, levels of disposable income and income distribution as well as the stock market, consumer confidence, and other economic metrics. The social factor includes changes in lifestyles, advertising targets, ethics, demographics, and culture. The technological factor includes the readiness of the technical setup and infrastructure of the organisation. This is more important in recent times, given the increase in remote working, reduced communication costs, and rising demand for new technology products. The environmental factor identifies natural events and occurrences such as disasters, climate change, and regulations to rising demand for eco-friendly systems. The legal factor anticipates any new laws and regulations that can have an impact on the organisation the health. These include safety laws and regulations, employment laws, consumer laws, and antitrust laws.

Mitchel and Britts (2018) state that PESTEL analysis can have a profound impact on the organisation's strategic options and market position. These are typically beyond the organisation's control. In addition, PESTEL analysis is a more in-depth way of thinking about the bigger picture of the external environment, in the short-term and long-term, and it is the effect on an organisation's success. PESTEL provides a supplemental foundation for many analyses such as SWOT (Britt 2019).

Garcia (2019) states that PESTEL analysis plays a vital role in the impact of any study as the analysis assists in understanding the risk related to revenue loss or productivity reduction. What is important in most organisations, globally, is that planning to achieve

clear goals increases the chances for long-term success and avoids failure. In addition, PESTEL analysis assists in giving the decision-makers a better awareness and understanding of the changes that may occur and the impact that these changes might have on their business.

The use of PESTEL analysis is appropriate for this study because it enhances the understanding of sustainable and strategic business. It is a useful analytical tool for gaining insights into business direction, brand positioning, growth of the business risk, and the development of new markets. Furthermore, PESTEL analysis is useful for workforce planning.

There are other reasons for the choice of PESTEL as a framework for the analysis of the study. These are:

1. It is a simple framework to evaluate the sustainability of South Africa's gambling industry
2. It facilitates an understanding of the wider business environment.
3. It encourages the development of external and strategic thinking.

3.10.1 Political Factors

Political factors are measures that regulate the extent to which a government may affect the ownership and operations of business organisations. For example, in South Africa, businesses pay excessive taxes, which affects their revenues. Political factors relate to this study because government policies and decisions that create political risks to businesses fall into three categories. These are operational restrictions, exchange controls and employment policies that prescribe ownership of local businesses and products (Brink 2013).

Political factors play an important role in business because there is a balance between systems of control and free markets. Liebman (2015) states that the government's involvement in the sport of horse racing is draining the industry by demanding a 3% tax with a lack of understanding of how the business operates. Corruption continues to harm the sport of horse racing in South Africa. As such, there is a poor perception that the sport is not being conducted on a fair level, and this has harmed the racing greatly. When there were no other forms of gambling, there were no issues as such (Liebman, 2015).

Government regulations continue to harm the sport of horse racing by demanding the licence fees of renewing or purchasing a new licence with the prescribed expensive fees. A bookmaker's licence costs approximately R8 million. The licence conditions of the gambling industry are cumbersome, and this is making it difficult for new trainers and new owners to invest in the industry. This is one of the factors that are responsible for the decline in the sport of horse racing. Furthermore, the government introduced transformation in the horse racing industry where each bookmaker is forced to have an African, either as a manager or a partner in the business, irrespective of their experience. Thus, for a business to regenerate its revenues, it needs to be managed by competent people who understand the technicalities of the industry.

Politics have a great impact on factors affecting the sustainability of the horse racing sport. For instance, the Department of Trade and Industry has an ongoing dispute with Bookmakers regarding the Telly track product (Smith, 2018). Each bookmaker is required to pay for the feed per outlet. Organisations such as Hollywood and Phumelela Gaming have more than 100 outlets. As such, it is expensive for bookmakers to pay per outlet. Thus, politics affects the sustainability of the horse racing industry (Smith, 2018).

The government wants to get involved in trade unions and agreements when it comes to big events such as Summer Cup and the Vodacom Durban July. This has generated disputes between the government and the horse racing associations and groups. De Kcok (2018) states that the Grooms, for instance, complain about their salaries, their working conditions, and how they are not recognised in the industry, and the government continues to turn a blind eye to the grooms, as such politics become a major role because come the Durban July all leaders do presentations and forget all the hard work completed by the grooms.

Ndlovu (2021) stated that the government has a crippling effect on the industry with a major knock-on effect because the media speculate incorrect information and that affects these big events. De Kcok (2018) adds that in 2019, five days before the Vodacom Durban July, the grooms from Phumelela Gaming went on strike because of retrenchment. The development affected the programme: the Vodacom Durban July was poorly attended, and that led to a decline in turnover.

Competition regulations in the horse racing industry are growing every day. Bookmakers are introducing new betting methods and that is creating competition in the industry. However, each form of bet needs to be regulated by the gambling board and needs to be licenced. For every new product, the bookmakers must notify the gambling board for approval because by law the gambling board must approve all betting acts and the approval would take anything over 6 months and that is causing a huge strain hence the approval is done by politicians who generally does not understand gambling industry. (Bekker, 2018).

3.10.2 Economic Factors

Brink (2019) Economic factors include economic growth, exchange rates, inflation rates, interest rates, disposable income of the customers and unemployment rates. These factors have a direct impact on the horse racing sport and can change the demand/supply models in the economy and this affects the industry.

3.10.2.1 The South African Economy

Following the slow growth in the South African economy in recent years, consumer spending has been constrained, and this is hurting the gambling market since consumers are cutting back on their spending on leisure and luxury items. The following factors have contributed to the decline in tote turnover:

- a) The unemployment rates
- b) CPI
- c) Change in consumer behaviour because of the VAT and fuel increases
- d) Consumer debt.

3.10.2.2 The Unemployment Rate

The unemployment rate since 2016 has increased by 2.7%.

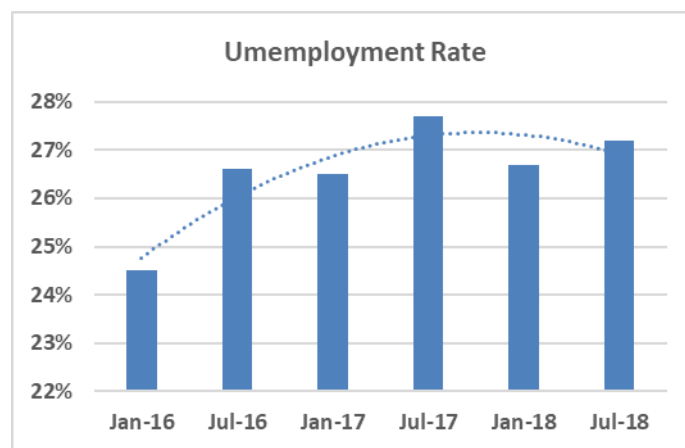


Figure 3.1 The unemployment rate

Source: Statistics South Africa: <http://www.statssa.gov.za/>

Figure 3.1 demonstrates the high unemployment rate in South Africa, from June 2016 until July 2018. The burden of unemployment was mostly concentrated amongst the youth as they account for 59.5%, which impacted the South African economy negatively (Khumalo 2019). The lack of work and work experience is a stumbling block that results in an economic decline and the economic decline causes consumers to stop spending which subsequently leads to people stopping betting.

3.10.2.3 CPI

The Consumer Price Index (CPI) has increased by 16.8% over the past three years.

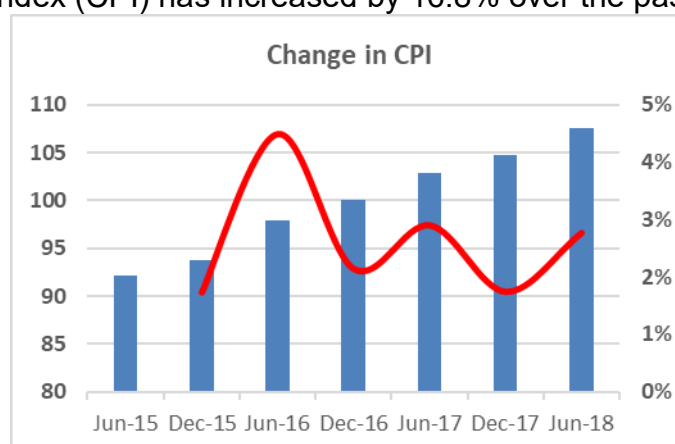


Figure 3.2 Change in CPI

Source: Statistics South Africa: <http://www.statssa.gov.za/>

The South African consumer is experiencing significant constraints on managing their income due to the spiralling petrol prices, as well as the increased value-added tax (vat) at 15 %. The change indicates that consumers are shopping less and spending slightly less due to the significant price increase, as such consumers have less, or no disposable income left to take their bets.

3.10.2.4 Change in consumer behaviour because of the VAT and fuel increases

Hughes (2015) states that the South African consumer is experiencing significant constraints on managing their income due to the spiralling petrol prices, as well as the increase in value-added tax (VAT) to 15%. The Nielsen Shopper graphics Syndicated Report released in South Africa indicated that the overall volume of retail sales has grown by 2.8% as compared to the prior year, and the value of sales has grown by about 6.3% (Hughes 2015). While this appears to be a positive impact on the economy, this needs to be seen in context. Consumers are shopping less and spending slightly less due to the significant increase in prices. The average customer spending is distributed as follows:

Table 3.1 Customer spend

CUSTOMER SPEND	Pre-vat and fuel increase	Post-vat and fuel increase	Increase/ decrease in spending.
Salary	R10 000	R10 000	
Food and non-alcoholic beverages,	-R2 140	- R2 159	R19
Alcohol beverages, tobacco and narcotics	-R490	-R494	R4
Clothing, and footwear	-R520	-R525	R5
Housing, Water, electricity, Gas and other fuels	-R1 470	-R1 483	R13
Furnishings, household, equipment, maintenance	-R670	-R676	R6

Health	-R720	-R720	R0
Transport	-R1 520	-R1 839	R319
Communication	-R260	-R262	R2
Education	-R370	-R370	R0
The amount left over for luxury items	R1 840	R1 472	-R368

Gold Circle Locker (2018)

The above table demonstrates a consumer who earns a net salary of R10, 000 per month. Prior to the increase in VAT and fuel prices, after accounting for all essential items, the consumer would have R1 840 available to spend on luxury goods and services. After the increase in VAT and fuel prices, the consumer is left with only R1 472. This amounts to a 20% decrease, which will negatively affect consumer spending on luxury goods and services.

3.10.2.5 Consumer Debt

The rise in the price of consumer goods correlates with the increase in the level of unsecured debt since 2016, which has risen by 4%. As highlighted above, consumers have less to spend on luxury goods and services (Bird et al.: 2018).

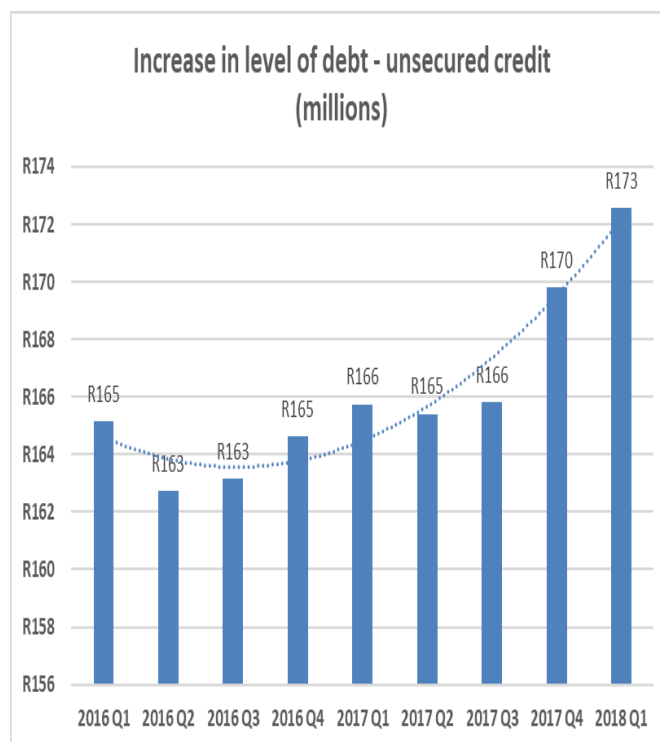


Figure 3.3 Increase in the level of debt – unsecured credit

Source: National Credit Regulator (2019): <https://www.ncr.org.za>

The interest rate is another major factor that affects the sustainability of the sport of horse racing in South Africa. Loker (2019) states that the high-interest rate tends to reduce the rate of economic growth and inflationary pressures. When the interest rate increases, the cost of borrowing also increases, meaning that everything that the punters have also increases, such as credit cards and loans. Furthermore, punters are over 18 years old, meaning that there are chances that some punters will have a mortgage. With high-interest rates, mortgage interest payments increase. Punters will tend to save more than they spend. The value of domestic currency also increases, and this affects the gambling industry and has been affecting the industry and causing a decline. This includes the inflation rate, the exchange rates, and the stock market trend (Loker, 2019).

3.10.3 Social Factors

The dimensions of the general environment represent the demographic characteristics, norms, customs, and values of the population within which the organisation operates. According to the National Gambling Board, South Africa (NGBSA) (2017), 30.6% of people gamble. However, in 2005, 49.8% of the population of South Africa was gambling, and then in 2010, it declined to 30.6%. Furthermore, the NGBSA stipulated that 12% of the South African population gamble on horse racing and sport betting every day, and 40.7% weekly.

Furthermore, the NGBSA statistics showed that horse racing is a sport of leisure and relaxation for wealthy people. However, 55.6% gamble because there are chances to win large sums of money, whereas 24% gamble because they need money, and 20.6% gamble because of leisure/ relaxation, enjoy playing games/ risking money, friends gambling, share in the excitement, curiosity about gambling and some lost their jobs (NGBSA 2017). There is a social class where most of the people attend Vodacom Durban July, Sun Met, and summer cup, whereas some would attend such events for the lifestyle.

Singh (2010) states that educational level is also a key factor that affects the sustainability of horse racing, because people in the workplace are significantly more likely to bet, as they are people with higher academic qualifications. They are also likely to bet more often because they can afford it. Furthermore, the crime level is associated with gambling on many scales, such as the concept of money laundering whereby if the public gets money from a criminal act such as drugs or theft, that money cannot be spent without attracting attention from law enforcement agents and tax authorities. Hence, even if a punter wins large amounts of money, which is over R25000.00, that punter needs to declare that amount to FICA.

3.10.4 Technological Factors

Technological factors are associated with the potential technologies that are available in the industry. Technological factors can optimise internal efficiency and assist in preventing products or services from becoming technologically obsolete. For every organisation, the role of technology is to advance every year. Moodie (2018) states that technology has influenced gambling by increasing convenience for mobile customers where punters can take bets at any time. What affects the betting on horse

racing, though, is the fact that in casinos, customers can bet 24 hours and seven days a week.

Furthermore, access to new technology is vital in the gambling sector. In the outlets, there must be fixed-odds betting terminals of which, in 2017, the industry started seeing Hollywood bets having two fixed-odds terminals to show the customers bets they are taking. Gold Circle implemented a touch screen computer race card. Technology changes every day; thus, the gambling industry is trying to utilise technological methods to ensure that the industry remains relevant and accessible. Technology innovation has been the main driver of Gold Circle, Hollywood Bets, and Phumelela gaming. Therefore, these organisations are trying as much as possible to ensure that punters have their betting Apps on their smartphones (Loker, 2018).

While the level of technology increases, there is a lot of illegal gambling, particularly on the internet, whereby there are different sites that deliver convenience, high odds, and ease of use. The internet has attracted gamblers in droves and this is causing the decline in the sport of horse racing. Punters are no longer betting fully with horse racing in the racecourse and the outlets. Online gambling such as poker, which keeps punters glued to their computer screens, is causing the horse racing industry to decline. Roullette (2019) states that communication infrastructure such as smartphone / Mobile betting has made betting to be easy. Virtual reality, augmented reality, blockchain technology, neural networks, avatars, and gambling pools are all forms of internet betting that have harmed the sustainability of horse racing sport.

3.10.5 Environmental Factors

Environmental factors are the identifiable elements in the horse racing industry (Loker, 2019). These factors constitute a major reason for the decline in the horse racing industry. In South Africa, the champion season is May, June, and July, the periods when the horse racing big events usually take place in Durban, such as the Mercury sprint, the Rising sun challenge, the Vodacom Durban July, and the Gold Cup challenge. The reason is that in these months, there are fewer chances of bad weather in KwaZulu Natal, and there is a relatively good climate and fertile soil that supports good grass. In such a case, the horses perform well.

Furthermore, Loker (2019) states that climate and climate change is a huge factor that affects the sustainability of horse racing because, in the event of drought, the horses

need to be moved to prevent diseases. On the other spectrum, with climate change, if there are too many rainfalls, races become suspended, and that affects the turnover of the industry. Natural disasters such as overheating and heavy rains affect the racing horses, and at times lead to illness. The colder winters associated with this type of climate change necessitate adequate shelters for longer periods, which negates any natural foraging and renders a horse's diet completely dependent on human provision.

A high-calorie, high-fibre diet in cold months is crucial to maintaining adequate body temperature. More severe storms can bring massive floods, and with it, water-related problems from life-threatening river surges to muddy pastures that can cause hoof problems and the presence of insects that can be carriers of infectious diseases. Air and water pollution and drought are major challenges in the sport of horse racing because they are the type of climate change that would lead to breeders/ horses becoming ill, bacterial infections, breakdowns of pasture lands, or water contamination, and all pose threats to horses.

3.10.6 Legal Factors

According to Nzimande et al. (2018: 11), South African gambling is governed by the National Gambling Board (NGB), National Horse Racing Authority (NHRA) and the operators (Gold Circle and Phumelela Gaming). They further state that in 2004, the National Gambling Board Act was enacted to oversee all gambling activities within the country, which includes casinos, gambling, betting, and wagering. The Act ensures that all gambling organisations comply with the prescribed norms and standards within the country.

All organisations need to be registered with one of the nine provinces (Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, North West, Free state, Limpopo, Mpumalanga, Northern Cape) gambling board, which are all under the direction of the National Gambling Board and need to strictly adhere to requisite policies. These policies range amongst others from advertising, communication, operation, FICA (Financial Intelligence Centre Act), and tax submission. In addition to this, there are stipulated licence fees, registration fees, and employee fees, which make it expensive for operators to sustain the horse racing business.

According to the NHA (2018), there is a huge discrimination law in the horse racing industry such as, that nobody should be employed by the National Horse Racing Authority whilst he/she is a member of any horse racing board. Moodley (2019)

indicates that all managers who are employed in the gambling sector must be licensed by the KZN gambling board, renewable annually. The totalisator licence fee is R1140.00, and the bookmakers pay R1000.00 per manager, per outlet, which is relatively expensive and affects the sustainability of horse racing. The Act further constricts that all jockeys should weigh less than 45kg, all jockeys must be licensed, and their medical records must be kept in the books for every race meeting.

According to Fubbs (2013), the grooms raised concerns about the slow transformation in the horse racing industry. The Minister of Trade and Industry, Patel (2019) recommended that the industry must be transformed in such a way that every horse racing organisation must have a black manager or must be owned by a black person. Furthermore, the Gambling Board was requested to make dormant licenses available for all black people who would like to join the industry to ensure transformation. On the contrary, existing owners were concerned that the industry was financially declining thereby making it difficult to attract new owners and trainers to invest. Without funding, few transformation initiatives could be impossible to succeed. However, the minister enforced that both Phumelela gaming and Gold Circle have at least level 2 of BEE, Fubbs (2013).

3.11 SWOT analysis of the horse racing industry

According to Gerry et al (2014), SWOT is the acronym for Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses were discovered in an investigation of strategic capabilities and the opportunities and threats explored in an analysis of the environment and likely to impact strategy development, Gerry et al (2014). In addition, strengths identify the advantages that the organisation has over the competition. Weaknesses are the inherent constraints of the organisation and the Opportunities are the available avenues to explore such as new trends that can be advantageous to the realisation of the goals and objectives of the organisation while Threats assess the outside conditions that may be obstacles and harm the business. Duggan (2015: 48) states that SWOT analysis plays a vital role in understanding internal strengths and weaknesses, while PESTEL analysis concentrates on external factors.

Using both concepts as an analytical framework produces a comprehensive evaluation of a project. As such, the study adopted these conceptual frameworks to gain an understanding of horse racing sports in South Africa.

SWOT analysis is a useful tool for business managers to evaluate major decisions.

3.11.1 Strengths

Champion season is a time for the horse racing sport, this is the time when horse racing has fruitful events such as the Vodacom Durban July, Gold Cup, Rising Sun, Daily News, Summer Cup, and Sun Met. These seasonal big events have greater stakes which means that more punters, including customers who do not bet daily, take bets on the champion season. Champion seasons are all sponsored races and are generally linked to fashion and hospitality. Rajgopaul (2019) states that the Vodacom Durban July brings visitors to KZN for the annual horse racing events, and this injects revenue worth R300 million for Durban. This is the strength of horse racing; hence in all the provinces, these events strengthen the economy of South Africa.

Good Management of Training centres of horse racing are well established and well maintained, training centres such as Summerveld and Ashburton, are kept well established and upgraded because that is where horses are kept and groomed and trained.

3.11.1.1 Good Corporate Governance

the sport of horse racing is very strict when it comes to corporate governance. There are strong legal and regulatory frameworks such as no person under the age of 18 are permitted to gamble, and these regulations are implemented in all gambling outlets. There are high levels of monitoring and control, as such, in all outlets, there are cameras and security. There are transparency and accountability; hence this was unfolded above. Policies and procedures are well always monitored, in such bookmaker clerks or cashiers are not allowed to gamble; hence regularly, there will be an auditor who will often always balance the till.

3.11.1.2 Strong customer account database:

The horse racing industry has Betting Apps, internet betting or Telebet/ Call centres. Customers will have to open a register with any bookmaker or totalisator, and by watching horse racing or sports on TV, from the customers/punters' comfort of their home, they can take a bet.

3.11.1.3 Competitive advantage:

The horse racing sport does maintain a competitive advantage. Garfinkle (2018) further states that in the bookmaking industry, Hollywood bets and Betting World, Phumelela Gaming and Track and Ball (Gold Circle) compete on which bookmaker offers better odds, and punters will often go with the bookmaker that offers the best odds. Hollywood Bets has a unique and sophisticated shop layout, whereby punters will find a restaurant, horse racing section, soccer section, and tote, whereas, with Track and Ball, some outlets do not have such facilities. Another competitive advantage, which is often a strength of the industry, is the innovation strategy (Garfinkle 2018). The betting applications are always unique and easy to use, as well as internet betting, which most punters use.

No betting limits: hence, the pool can grow as big as the punters place their bets, which leads to great rewards for all the winners. Progressive investments into research and developing innovation to try and sustain the industry, such as the new Betting Apps and Internet betting, regularly get upgraded.

3.11.2 Weaknesses

There is no targeted marketing campaign to promote the benefits of recreational horses. This is a weakness because there is no regeneration in the industry because of a lack of marketing campaigns. The negativity of staff is often a concern in the horse racing industry; hence Swart (2019) notes that the NHA states that the regulator is indeed concerned about the threat of boycott and the substance of the discontent. For instance, on 29 November 2018, the Sun Met racing started two hours late because the staff boycotted the race (Swart 2019). Similarly, the Vodacom Durban July held on 5 July 2019, started an hour late because the staff boycotted the programme. This development hurts the industry.

Obligation to stakeholders to renew and pay exorbitant amounts for licence renewals is a weakness. Hence, it affects stakeholders, including the more than 6000 members who own more than 10 000 horses in racing stables, pre-training yards, and stud farms as well as their 17000 staff employed directly and thousands more indirectly. This threatens livelihoods and puts a further strain on an industry already troubled by poor economic conditions.

3.11.2.1 Control sources of income

Horse racing has only one source of income, and this is the horse race. If horses are racing, there is income, if there is no horse racing then there is no income. For instance, during the COVID-19 lockdown, there was no racing, no payment for employees, and companies, such as Phumelela Gaming, were liquidated (Moodley 2020). As the liquidation of Phumelela put more than 60 000 jobs in the industry on the line. Moodley (2020) indicates that trainers lost approximately R30 million per month, in addition to a 15% reduction in business operations. Swart (2019) added that around 4500 grooms lost about 1% of the stakes of the R30 million and a loss of income from incentive schemes. Jockeys have lost 10% of the stakes of the estimated R30 million per month plus R3.5 million in riding fees.

3.11.2.2 Lack of innovation

The horse racing sport does need to adapt to innovation. However, this stands as a huge weakness. Casanova (2019) states that there is increasing competition in the horse racing and sports betting landscape. Thus, there is a danger of being left behind, and this anticipation puts pressure on the operators to seek the assistance of experts for proactive technology. Casanova (2019) states further that horse racing is attracting fewer talents and the focus starts-ups partly because it has an image of being more popular with older people.

3.11.2.3 Customer service and experience

Lack of customer service experience is a weakness in the horse racing sport. The industry is complex, and customers will go where they are well treated. Therefore, during horse racing, it is often an enjoyable and nice way to spend a few hours. The owners and punters are the main customers in the horse racing and sports industry and the workers are trainers, breeders, jockeys, grooms, operators, tote staff and management (Jacob 2013). Thus, everybody else is dependent on the owners and punters for their livelihood. Putting customers at the forefront of the business and ensuring that they experience the best service would guarantee their stable patronage. Consistent improvement of all outlets and racecourses and racetracks is vital. Continuous improvement of facilities, seating tables, chairs, toilets refreshment facilities, and betting service and customer service is important in this industry. The

customer service and experience must include loyalty programs, tote competitions, and win, if you lose ticket draws and free entry to regular on-course punters.

3.11.2.4 Staff training and communication

This stands to be a weakness in the sports and racing industry; hence, the betting clerks are no longer committed to staying in the industry or seeking to learn the industry. To the clerks, it is all about having a job, whereas if a clerk is not well trained and a punter misses a bet because of miss-communication, it becomes a problem (Moodie 2019). In addition, punters wait until the last minute to take their horse racing bets because the punters wait for the odds to fluctuate. Most bookmaker clerks would fail to work under such pressure if they are not well trained; the industry still needs to focus on this as it is a routine weakness (Moodie, 2019).

3.11.3 Opportunities

Group, collaborating to sponsor organized trail rides, can promote the industry and possibly attract new participants. Big companies such as MTN, and Woolworths, among others, may collaborate with the horse racing industry to promote their products in exchange for sponsorship and advertising agreements (Hazard, 2019). For example, the Elaine Gold Cup is the outcome of the collaboration between Elaine, a property company, and Gold Circle. Hence, the Gold Cup is called the Elaine Gold Cup, which is staged at the month-end at the end of July every year, for the agreed term as per their agreement.

3.11.3.1 Vertical integration of industry

The shift in the horse racing industry towards the vertical integration and simulcasting of horse racing, for wagering, has given the industry great opportunity. There is the Telly track, which is owned by both the operators, Phumelela Gaming and Horse racing, and the channel is watched by punters globally. There is an opportunity for advertising other brands through this integration and sustaining the industry and accumulating turnover through branding and sponsorship.

Nationalising horse racing is an opportunity in the horse racing industry; hence this would capture monopoly profit for the benefit of the public (Hazard, 2019). The external economic benefits of public investments would be an advantage, and the cost of

staging the races would reduce. There will be a greater incentive to introduce new technology and increase labour productivity, and the fight against illegal gambling would have a greater backup (Hazard, 2019).

3.11.3.2 Better use of existing facilities

Locker (2019) states that Gold Circle currently has great facilities. Thus, better usage of these facilities is an opportunity. Gold Circle, for instance, has changed seven of its current facilities to convention centres, and the facilities cater for any event and have a great advantage. In addition, the power production solar systems has been installed at the Grayville racecourse; this will assist in reproducing and avoiding load shedding. The training centres can rent the unutilised space to the public to generate revenue, in such; all horse racing organisations must implement these strategies.

3.11.3.3 Development and exploitation of technology

Medcof (2018) suggests that horse racing needs radical innovation in new product developments, and that depends on technology. He further states that acquiring new customers and maintaining existing customers requires a greater need to adapt to technology; thus, the new *Betting App* has been launched by Gold Circle and the upgrade of the internet. Hollywood Bets have also upgraded its Mobile betting, and so has Phumelela Gaming with the Tab Online. The development and exploitation of technology have brought along more games that change the industry of sports betting. The new bet game, which generates millions for horse racing and the sports betting creativity of the different bet types, assists the industry to stay up-float.

3.11.3.4 Equity partnership

Grimsley (2018) notes another opportunity that is opened for the horse racing industry Grimsley (2018) further indicated that the KZNGBB issues doorman licenses for black employees who have been working in the horse racing industry for over ten years. They may apply for these licenses. This means that the Gambling board will issue rights to the employees in principle that there would be a signed agreement between the organisation and the employee. The contract needs to stipulate that the organisation will own 70% of the business and be responsible for running the business and educating the black owners who will own 30% of the business. This is part of the

South African transformation policy whereby black citizens could own a bookmaker as well as a totalisator. Thus, when a black-owned bookmaker is operational, it is easy to sign a management agreement with either Gold Circle or Phumelela Gaming.

3.11.3.5 Partnership with international betting exchanges

Locker (2019) states that there is already a relationship between Gold Circle, Phumelela Gaming and Hong Kong. This working relationship has a great opportunity to extend to other countries such as the UK, and the USA, to further develop the horse racing industry in South Africa.

3.11.3.6 Combat illegal gambling

Tihabye (2019) states that illegal gambling costs the country billions of rands. As a result, as much as illegal online gambling is growing, there is a haste fine of R10 million and 10 years in jail for people who are caught. Therefore, the National gambling board is busy finding ways to curb illegal gambling and money laundering crimes.

3.11.3.7 Central billing system

This is an opportunity for the horse racing industry because; restricting illegal gambling would redirect the punters to bet on horse racing and sports rather than illegally gambling.

3.11.3.8 Innovation

This is a great opportunity for the horse racing industry; hence it permits even the people who do not take bets to take bets. It has gotten so easy to take bets. Bekker (2018) states that the gambling sector achieved Gross Gambling revenue (GGR) of R27 billion in the 2016/2017 financial year-end and supported over 70 000 jobs. Innovation plays a vital role in betting worldwide.

3.11.3.9 Internet betting

Internet betting grows every day; hence organisations need to maintain and keep up with technology. There is the need to install Wi-Fi in their outlets that direct customers to the website to take bets, ensure easy ways to take Bets and upgrade the betting system to allow all new events and betting ways to occur easily.

3.11.3.10 Cell phone betting

All the bookmakers have cell phone betting, it is now a competitive advantage that a bookmaker or a totalisator to acquire a sophisticated betting app to gain more customers to take bets and performs that transaction easily. Telephone betting and call centres all form part of the success of the gambling industry, it is a great opportunity for the horse racing industry to adopt innovation.

3.11.4 Threats

3.11.4.1 The SA Economy

The horse racing industry operates well if punters have money. If punters do not have money, then horse racing weakens, if the tax, inflation rate, fuel cost, or exchange rates increase, that leaves less money for punters to spend (Lenferna, 2020). Phumelela Gaming and Leisure, the company which runs horse racing in all provinces except KZN, was already under massive financial stress before the start of the national lockdown (Lenferna, 2020). The impact of the lockdown is a pointer to the immediate decline of horse racing. On the 6th of May 2020, Phumelela Gaming voluntarily liquidated because the company could not operate without racing (Lenferna, 2020). This means that the South African economy is an immediate threat to the horse racing industry.

3.11.4.2 Government legislation

The horse racing industry is under pressure as such it is even difficult to comply with government legislation. Wet (2019) notes the yearly increase government unlawfully increases gambling tax, which makes it impossible to sustain the horse racing sport. Wet (2019) added that already, R194 million gets paid to the government per year by the industry to the provincial government and R500 million to the national government in the form of direct and indirect tax. Hence many bookmakers fail to survive and close their businesses. Wet (2019) adds that upon issuing a license, the government stipulates that each license is required to contribute 0.5% to CSI (Corporate Social Investments). These pieces of legislation threaten the horse racing industry.

3.11.4.3 Gambling Board

The rules of the gambling board, such as license renewal fees, approval of the new betting software, which takes approximately 6 months just to get approval, lack of understanding of the business, and limited bookmaker license control. All these factors threaten the horse racing industry (Moodie, 2020).

3.11.4.4 Lack of recognition of the sport

Fubbs (2013) states that the minister of the Department of Trade and Industry (DTI) stated that the one aspect not raised in relation to the gambling industry was that before 1995, it had enjoyed a monopoly. Thus, now losing business to other forms of gambling as such was impossible to apply for funding to any gambling organisation because the industry is not recognised by the government. Instead, the industry is treated based on assumptions, and this should not be the case. He added that although the government tax 7.2% on horse racing and 13.3 % tax on sports betting, the government continues to enforce BBEEE and transformation in the industry for the organisations to meet all the requirements to be recognised. This itself is a threat to the horse racing industry.

3.11.4.5 The decline in breeders and horse population

With no horses being bred, the industry will be vulnerable to collapse because there will be no horses to run races. As such, this causes a huge threat to the sustainability of the horse racing industry. The thoroughbred industry faces serious challenges such as the ethical treatment of animals, and geographical, economic, social, ethical, and environmental perspectives (McManus 2012). This is a threat to the industry.

3.11.4.6 The decline in Ownership and trainers.

The more the industry becomes complex, the more horse owners and horse trainers sell and leave the industry (Moodie 2019). It is becoming too expensive to maintain a racing horse, and there is no affordability. The new regulations, such as transformation, are no longer attractive to the owners and trainers (Moodie, 2019).

3.11.4.7 Loss of sponsorship

Graham (2013) states that it has been a great venture to advertise through horse racing events. A company such as Rothmans had a horse racing event called

‘Rothmans Cup’. However, the country being in recession, and many companies being unable to sponsor, decreases the income stream of the horse racing industry and further threatens the industry to decline.

3.11.4.8 Illegal gambling

Another threat to the horse racing and gambling industry is the proliferation of illegal gambling. Bistell (2015) states that the gambling board has embarked on a task to deal with illegal gambling. However, this is an impossible task because approximately 2000 establishments are operating illegally across South Africa weekly (Bistell 2015). These illegal outlets include casinos, LPM, and sports, with their negative impacts on the growth of the horse racing sport.

3.11.4.9 Perceptions and negativity

MacDonald (2020) states that securing and cultivating new revenue streams for horse racing survival is imperative. However, defending the horse racing industry against political attacks and negative publicity the public continues to harm the horse racing industry. The author adds that negative publicity in social media has affected the industry as journalists write unsubstantiated stories relating to the care of the horse racing industry, addressing and improving safety procedures, and expanding the post-career care and adaptation avenues. MacDonald (2020) added that for instance, it has been noted that patrons do not attend the Vodacom Durban July as they used to because of negative news they read or heard.

3.12 Sustainability

According to Mason (2018), sustainability is the study of how natural systems function, remain diverse and produce everything it needs to remain balanced. Sustainability also considers how we might live in harmony with the natural world around us, protecting it from damage and destruction. On the contrary, Fortunet et al. (2017:4) define sustainability as an alternative to creating new technologies and engineering systems that will satisfy the needs of humanity in this generation without placing at risk the ability to satisfy the needs of future generations.

In sports and racing, sustainability focuses on balancing the thin line between competing needs and the need to move forward technologically and economically and

the need to protect the environment of the industry. For example, if the horses are not well treated, there will not be racing. If the track is not well-maintained, racing becomes abandoned, in the event of heavy rainfalls. If the horses are unhealthy, there is no racing, and the entire industry would collapse due to these factors. That is why the racing calendar gets created a year in advance to ensure that all these factors are considered (Fortunet, et al., 2017:16).

There are three pillars of sustainability that the researcher has focused on that predominantly affect the horse racing industry, namely - economic development, social development, and environmental protection.

3.13 Economic development

Fortunet et al. (2017: 46) state that this is the issue that proves the most problematic as most people disagree on political ideology, i.e., what is and is not economically sound and how it will affect businesses. For example, according to the National Gambling Board report (2017), the weak economy of South Africa has played a role in the GDP because of the drop by 0.3% from 1.3%. Inflation rose to 6.4% and increased the tariff for electricity, water, and fuel. This development constituted more strains on consumers. The flexibility of betting is now lacking, which is why gambling is now unsustainable, and the industry is facing huge challenges.

Gumede (2019) states that technological innovation has created a competitive advantage with the introduction of *betting apps*, which has placed a huge demand on the market that all bookmakers must have a sophisticated betting app. Furthermore, economic development is about giving punters what they want without compromising. Gumede (2019) further states that the better betting facilities, for example, Hollywood bets have a Horse racing section, a Sports section, A Bar, and a Restaurant. Punters can have a luxury stay at any Hollywood bets betting outlet for the whole day, whereas the other bookmakers do not have that luxury. Nirbuhr et al (2019:33) state that economic development has a negative impact, such as illegal online gambling, which has increased drastically, amounting to R678 million. This leads to an economic impact of R1.9 billion in lost GDP, just on illegal online gambling and smartphones, and a loss of 3785 jobs. By implication, economic development has a good and bad impact on the gambling industry, and this has created challenges that are affecting the horse racing industry (Nirbuhr et al., 2019: 34).

3.14 Social Development

There are many facets to this pillar in the sport and racing industry. The health of the horses is vital for the races to keep on running. Pollution needs to be minimised for the race to take place. This also applies to other sports, such as soccer. Sathekge (2019) indicated that section 27 (1)(c) legislation of South Africa has always been in place to strongly check and ensure that all sports and racing health and wellness of both people and horses are strongly protected.

The core of this study is to investigate factors affecting the sustainability of the horse racing sport in South Africa. The NHA (2013) highlighted that the horse racing industry is a complex industry that spanned three sectors, agriculture in the breeding and raising of horses, sports when the horses were run, and gambling, which was a spin-off from the racing. Furthermore, the industry is on the decline, which makes it difficult to attract new owners and trainers to invest without funding.

Moodie (2018) further states that the collaboration of horse racing, fashion, and entertainment has been working well because events such as Vodacom Durban July, Summer Cup, and Sun Met are now horse racing events that have become social gatherings for many people around the world. Although most people do not know how to take bets, they come to these events for fashion and entertainment Purposes. Moodie (2018) further indicates that these events have managed to be popular and have generated a good return in the economy of KwaZulu Natal, Gauteng, and the Western Cape. This means that the social development of the sports and racing industry has strong factors that are affecting the industry.

3.15 Environmental Protection

Fortunet et al. (2017: 49) state that environmental protection is a way how humans should study and protect ecosystems, air quality, integrity, and sustainability of the resources and focus on the elements that place stress on the environment. In sports and horse racing, businesses are regulated to prevent pollution and keep carbon emissions low. Furthermore, the South African horse racing authority, and the Society for Prevention of Cruelty to Animals (SPCA), have made a lot of changes over the years to ensure that the sports of horse racing become more humane. The whips were banned; a jockey can only use their padded whip on the horse five times before the

final 100 meters of the race. The track gets monitored daily and double-checked before the race. Tongue tires were banned; the two-year-old races were banned, meaning that there have been a lot of changes in the sports and racing industry to accommodate sports betting.

3.16 The Impact of Covid-19 on the horse racing sport in South Africa

Coronavirus (COVID-19) is defined as a disease caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2 formerly called 2019-nCoV) (Bhargava 2020). It was first identified amid an outbreak of respiratory illness cases in Wuhan City, Hebei Province, China. It was initially reported to the WHO (World Health Organisation) on the 31st of December 2019. On 30 January 2020, the WHO declared the COVID-19 –outbreak a global health emergency. On 11 March 2020, the WHO declared COVID-19 a global pandemic, its first such designation since declaring the H1N1 influenza pandemic in 2009.

Smith (2020) states that the Covid-19 pandemic in South Africa is an ongoing pandemic of coronavirus disease 2019, caused by severe acute respiratory syndrome coronavirus 2. On 5th March 2020, former Minister of Health Zweli Mkhize confirmed the spread of the virus to South Africa with the first known patient being a male citizen who tested positive upon his return from Italy. The first death to have occurred from the disease was reported on the 27th of March 2020.

On the 15th of March 2020, the President of South Africa Cyril Ramaphosa declared a National State Disaster and announced measures such as immediate travel restrictions and the closure of schools from 18 March 2020. On 17 March, the National Coronavirus Council was established to lead the nation's plan to contain the spread and mitigate the negative impact of the coronavirus. On 23 March 2020, a national lockdown was announced, starting on 27 March 2020, (Smith 2020).

Lockdown meant that every business closed except for essential businesses, and everyone was required to stay at home to reduce the spread of Covid-19. In Level 5 of the Covid-19 regulations, many businesses were not operational, including horse racing and sports, it was at this stage that businesses suffered, and many businesses in South Africa closed or liquidated (Smith 2020). On 1 May 2020, a gradual and phased easing of the lockdown restrictions began and the country was moved to level 4 alert. Some businesses started operating; however, the sport of horse racing was not allowed to operate. Mkhize (2020) states that technology was discovered because that

is when the world noticed that we could work from home with computer screens being our only way of contact, homeschooling, home office, working out and staying in touch with loved ones via Zoom.

Mkhize (2020) further stated that the World Health Organisation has advised that everyone had to wear a mask and mask to prevent the spread; we learned to maintain social distancing. To date, on 30 October 2022, over 4.03 million coronavirus infections were registered in South Africa and 102 000 related deaths have been confirmed, while 3 million people have lost their jobs due to the pandemic.

Phumelela Gaming became Liquidated due to the Coronavirus on the 8th of March 2020, (Jooste 2020).. The CEO, John Stuart, announced that Phumelela Gaming was forced to liquidate and entered business rescue due to the lockdown. Phumelela Gaming is one of the South African horse racing operators and has been under pressure for a long time. The financial equity of R91.4 million has been lost because the business has not been operating since 27 March 2020. Its international profits of R113.1 have been lost, and local operations lost a combined R115.1 million (Jooste 2020). As such the company was forced to enter business rescue, and over 650 employees were left without a job (Jooste 2020).

South Africa's business rescue process aims to shield a business from the demands of its creditors while an independent advisor attempts to turn it around.



Figure 3.4 The scene of Vodacom Durban July

During the lockdown, the horseracing industry had hoped to be allowed to operate behind closed doors, with the health and safety of staff and animals a priority. Should this have been granted, such loss would have been avoided.

Broughton (2020) states that Gold Circle had to loan R40 million from the Bookmakers Hollywoodbets because of the inability to hold the Vodacom Durban July in 2020. Gold Circle was under threat of being placed in business rescue because of its parlous financial situation. This added pressure to the sector already battling a weak economy and lower consumer spending hence the larger rival Phumelela Gaming is already under business rescue. Hollywoodbets was also under pressure because the outlets' team members were not in operation. As such, Punters could not bet on any sport because all contact sports were suspended.

Myeni (2020) states that KwaZulu-Natal lost R300 million in one day because the Vodacom Durban July did not take place. The local economy and hundreds of jobs were lost. The pandemic affected Vodacom Durban in July and also affected the restaurants and their suppliers, the hospitality industry and transporters. Artists and event organisers also lost as much as other stakeholders. The Vodacom Durban July was held virtually whereby the horses run behind closed doors, customers may only watch TV from the comfort of their homes.

3.17 Chapter Summary

This chapter covered an overview of the extant literature on horse racing and the South African horse racing industry. It also discussed the case of Gold Circle, Hollywood Bets, and Phumelela Gaming, indicating how they started as they are still operating today. It also discussed the overview of the horse racing industry and the internal and external factors affecting the sustainability of the horse racing industry. Chapter three also covered the PESTEL framework as well as a SWOT analysis of the factors affecting the sustainability of the horse racing industry, and sustainability was discussed in detail.

Every organisation operates in a complex dynamic environment and is affected by multiple simultaneous and ever-shifted forces, trends, and influences. A mere list of factors or categories cannot capture this reality. PESTEL analysis can be one of the most worthwhile tools for strategic analysis, but it should be done with an attitude of systems-oriented thinking hence all factors interconnect with others. Organisations

benefit from a more thorough understanding of challenges and opportunities and can move forward with better and more informed and focused strategic planning. Chapter four discusses the research methodology.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter detail the research methodology, including the research design, research paradigm, target population, sample methods, measuring instruments, pilot study and data analysis. There is a distinction between research and research methodology. Research is a simple process whereby a thorough analysis and study of situational factors is conducted to seek a solution to a problem. Furthermore, research can be described as a process used to discover new information systematically. Research methodology, according to Nathan (2016:47), is the theoretical or scientific framework upon which research is organised or directed. The research methodology includes techniques used in the conduct of the research and can be based on both current and past information.

4.2 Research Paradigm

According to Bryman et al. (2015: 383), the research paradigm implies a pattern, structure, and framework, or system of scientific and academic ideas, values, and assumptions. The gathering of facts and information is required to support the development of a concluding approach that includes an assessment of methods, values, and beliefs. Data related to the primary research objectives are gathered for the study to facilitate a more accurate interpretation. In the view of Bryman et al. (2015), there are three main types of research paradigms, there are positivism, interpretive, and critical postmodernism. These set of paradigms are discussed I the below sections

4.2.1 Positivism

Bryman et al. (2015: 381) define positivism as an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond. Here, there is an identifiable scientific method that is understood to be unitary and positivistic. Positivism comes to designate a philosophical movement that becomes powerful in all Western countries towards the end of the nineteenth century and well into the first half of the twentieth and attempted to import the method of science into philology so that philology should become scientific (Dudovskiy 2010: 38). There are five main principles of positivism.

1. There are no differences in the logic of inquiry across sciences.
2. The research should aim to explain and predict.
3. Research should be empirically observable via human senses.
4. Science is not the same as common sense; common sense should not be allowed to make the research findings biased.
5. Science must be value-free, and it should be judged only by logic.

Dudovskiy (2010: 39) further indicates the difference between positivism and interpretivism. Positivist observers must be independent; human interest should be irrelevant; explanations must demonstrate causality, and research progresses through hypotheses and deductions. Whereas with interpretivism, the observer is part of what is being observed, human interests are the main drivers of science, explanations aim to increase general understanding of the situation, and research progresses through gathering rich data from which ideas are induced. In this view, given the fact that the horse racing industry is quite complex, positivism is not the ideal paradigm for this study.

4.2.2 Postmodernism

Bryman et al. (2015: 379) states that postmodernism is a position that displays distaste for master narratives and realist orientation. In the context of research methodology, postmodernists display a preference for qualitative methods and a concern with the modes of representation of research findings. Postmodernism is contemporary and has spirit brought into play primarily an overpowering loss of totalising distinction and the consequent sense of fragmentation. The boundary between elite and popular culture and between art and life is no more.

Furthermore, postmodernism is culturally dominant rather than a single style, as modes rather than a genre. The characteristics of postmodernism are that it is a new kind of flatness or deathlessness. Postmodernism is not appropriate to this study; hence the study aims to investigate the sustainability of the horse racing sport and postmodernism is the fragmentation of the artistic text after the model that specifically takes the form of collage governed by a logic of differentiation rather than unification (Dudovskiy 2010: 42).

4.2.3 Interpretivism

Bryman et al. (2015: 381) state that interpretivism is defined as an epistemological position that requires the social scientist to grasp the subjective meaning of social actions. Interpretivism looks for culturally derived and historically situated interpretations of the social world. Interpretivism involves researchers interpreting elements of the study. Thus, interpretivism integrates human interest in a study. Accordingly, interpretive researchers assume that access to reality is only through social constructions such as languages, consciousness, shared meanings, and instruments. Accordingly, interpretivism research emphasizes qualitative analysis.

Dudovskiy (2010: 42) indicates that an interpretivist study is important for the researcher as a social actor to appreciate differences between people; moreover, the study usually focuses on the meaning and may employ multiple methods to reflect different aspects of the issue. Interpretivism's general approach is based on relativist ontology, which perceives reality intersubjectively and is based on meanings and understandings on social and experiential levels.

Secondly, in transactional or subjectivist epistemology, the approach people cannot be separated from their knowledge; therefore, there is a clear link between the researcher and the research subject. Dudovskiy (2010) illustrates the difference between positivism and interpretivism, such as the positivist nature of reality is objective, tangible, and single, whereas the interpretivism nature of reality is socially constructed and multiple. Additionally, in interpretivism, the goal of the research is based on explanation and strong predictions, whereas positivism is based on understanding.

This assist in the assessment of the needs of the research by incorporating the perception of others. Through the process of reasoning, individuals have developed knowledge about the changes required to make the research objectives link with the main literature review, thereby assisting in increasing the integrity of the research (Braun et al., 2019:850).

For this study, interpretive research paradigm was applied to understand the research aspects through subjective experiences. Meaning oriented methodologies like interviews and observation of different aspects among individuals are considered important and there is a dependence on the subjective relationship between the researcher and the subjects. Furthermore, Hutchinson (2013) argues that in the interpretive tradition, there is no right or wrong perspective. Every phenomenon is subject to contextual interpretation. Crick (2021) states that interpretivism is based on

a naturalistic approach to data collection such as interviews. Interpretivism is more suitable for qualitative research such as cross-cultural differences in organisations, issues such as ethics, and leadership and analysis of factors impacting leadership.

The horse racing industry is indeed complex; hence qualitative research areas such as cross-cultural differences in organisations. Issues of ethics, leadership, and analysis of factors impacting leadership will be studied by the researcher in a great level of depth. The primary data that the study has generated via interpretivism has been associated with a high level of validity because the data in this study is based on trustworthiness and honesty. The study also collected secondary data which is in line with the study's objectives.

4.3 Research design

According to Bryman et al. (2015:372), the research design is the complete strategy that the researcher can select to incorporate the diverse mechanism of the research clearly and logically, thereby ensuring that the research that is being investigated will successfully address and establish the plan for gathering data and measure and analyse data. Research design is important because it influences the reliability of the results attained and provides a solid base for the whole research (Bryman et al., 2015:372). In order to ensure that the research problems are successfully addressed and the research objectives are fulfilled, the research design is adopted as an overarching strategy procedure that is selected to integrate the many components of the study in a coherent manner.

According to Raju and Prabhu (2019), the research design is adaptable, with preliminary groundwork investigations conducted using secondary data obtained through resource distribution through observation, monitoring, and verification. The exploratory framework is used for a comprehensive and concise analysis of all the data, taking into account the findings and supporting data from other studies. By applying a variety of information sources, the most practical answer is found through the retrieval of information with the help of the right data analysis. The main reason why exploratory design was chosen for the study is because exploratory design is helpful in narrowing down a challenging problem, of which in this study it was indeed useful and helpful. The design serve as a greate guide for future research. Far most importantly it is cost effective, that is why the research design was used. The study may not be generalised because the respondents are not representing the entire nation.

According to Quinlan, Babin, Carr, and Griffin, (2019), research has been conducted using an exploratory approach to aid information collecting with the usage of various data-related features to produce insights assisting in understanding the primary obstacles to implementing the transformational strategy.

4.4 Qualitative Research Approach

Qualitative research approach was chosen to fully utilise the resources available to provide improved interpretations of the results and comprehensive study assessments. A set of presumptions based on the study purpose are developed throughout the qualitative research approach by looking at patterns of meaning derived from data gathered from various sources. The qualitative method is suitable for this study because it evaluates subjective data, uses flexible and exploratory methods, and deals with events and behaviours in business operations (Bryman et al., 2015:383). This bottom-up approach to information analysis places a focus on comprehending the research elements through the examination of many sources of information, which helps to construct the analytical technique for the study.

In-depth qualitative interviews of the stakeholders, served as credible means of data collection method because they allowed the exploration of the context of the challenges facing the industry. The stakeholders explained the complexity associated with the operations of the industry. This is a qualitative case study research. Three companies were purposively selected for the study: Gold Circle, Hollywood Bets, and Phumelela Gaming. These are the big organisations in the industry with considerable knowledge and experience. The participants were the Chief Executive Officers (CEO) of the three organisations and four customers (punters) from each of the organisations.

The gaming and betting industry has come under more scrutiny, and this study's methodology will help to validate this change in the sector and integrate data from the literature that has aided in theoretical research. Determining research questions has been made easier by keeping an eye on various literary claims. This will make it easier to make important decisions with an emphasis on the politics and gaming and betting industries.

4.5 Target Population

According to Hutchison (2004:366), the population is the total units from where a sample is to be drawn. According to Yengwa (2018), there are 1600 bookmakers in South Africa, and there are only two racing operators. The target population of the

study are the Gold Circle, Hollywood Bets, and Phumelela Gaming. These organisations specialise in horse racing sport. Thus, the choice is appropriate because of their specialised areas of gambling.

Hollywood Bets has over 92 outlets across South Africa, whereas the head office is based in Durban that has approximately 1000 employees. Phumelela Gaming has its head office in Johannesburg with 200 outlets, 150 outlets and 60 agencies across South Africa. Gold Circle has 130 outlets across KwaZulu-Natal province only

4.6 Sampling and Sampling Methods

The main foundation of the qualitative research was the case study design, which was created to show how the intended audience perceived and felt about the subject at hand (Yengwa 2014: 36). In this instance, the interview method was employed as a component of a qualitative research approach to provide a thorough examination of the feedback received regarding the province's betting industry, compliance, and other related issues.

According to Bryman et al. (2015: 170), sampling is the segment of the population that is selected for investigation. There are two major categories of sampling methods: probability and non-probability. As orated by Bryman et al. (2015:381), probability sampling is a method whereby the subject of the population acquires an equal opportunity to be chosen as a representative sample. While also, non-probability sampling is defined as the method which is not known and individuals would be chosen as a sample from the population. Nonprobability sampling with a purpose is used when members of the target population satisfy certain practical requirements, like being readily available, living close by, being available at a specific time, or being ready to participate. In this study, non-probability sampling was used since it was suited for this investigation while also implementing purposive sampling.

Quinlan et al (2019) view purposive sampling as technique that is employed to choose a certain group of people or units for a study. Participants in this sampling are selected "on purpose," as opposed to at random. The researcher chooses the sample for this sampling with a specific goal or aim in mind or the traits or qualities that the researcher wants to investigate. The adoption of purposive sampling is done on the premise that it is a time-effective, and it is the only appropriate method available if there are limited numbers of primary data. This sampling technique can be effective in

exploring human diversity situations where the discovery of meaning can benefit from the intuitive approach.

The researcher sampled the three CEOs and 12 customers (punters) drawn from these three organisations, Gold Circle in Durban, HollywoodBets in Durban, and Phumelela Gaming in Johannesburg Turffortain. The three organisations are specialists in the horse racing sport, which means that the CEOs have more knowledge and practical experience about the operations and prospects of the industry in South Africa. CEOs are chosen for interviews due to their prominent position in establishing the tone and impacting the flow of information and resources inside the organisation. As the most senior individual in an organisation, the chief executive officers (CEOs) are responsible for overseeing processes and resources, making important business decisions, and playing a large role in communication. Similarly, the 12 customers were selected to understand their decision-making abilities. Various parts of the necessary information were taken into consideration when forming the interview questions. With an examination of the industry's significance and the degree of participation from formerly marginalised groups, the political environment around the gaming and betting sector was taken into account. The evaluation questions evaluated the obstacles or difficulties in achieving successful implementation of the policy for transformation. Given the policy considerations that have been discussed throughout the entire interview, with a particular emphasis on the involvement of stakeholders, insights into compliance factors and power dynamics were sought. It was crucial that participants in the study gave their consent and did so voluntarily.

4.7 Data Collection

Yengwa (2014: 36) defines a research tool as anything that becomes a means of collecting information for a study. The research instrument that was used to conduct the study was an interview guide. The researcher explored the values, attitudes, opinions, feelings and behaviours of individuals and understand how these affect the individuals in question.

Focus groups, participant observation, and in-depth interviews are the three main methods of gathering data used in qualitative research designs. In-depth interviews were used as a tool for data collecting, with in-depth interviews being the research's preferred technique. Based on the primary factors, the data gathering technique has been used. The various difficulties the industry faces were analysed through the

development of a theme. A review of the body of prior research helped identify themes and provide context for their application.

In-depth structured interviews helped to uncover the consequences of the research by providing specific information to investigate various perspectives. The political landscape around the gaming business has changed, and secondary literature-based sources provided significant information on this subject. The information gathered broadened our understanding of the value of the gambling and betting sectors in the province and their contribution to the region's economic growth. The use of a tailored strategy allowed us to collect pertinent and helpful information from responders. Through a series of questions and answers by the respondents data was successfully collected. To do this, first-hand knowledge was gathered through interviews with persons affected by the transformation on the industry. The researcher conducted interviews on all four outlets, in all TabGold outlets both the on and off-course environments.

The interview afforded the researcher to gain insights and a deeper understanding of the challenges affecting the sustainability of the horse racing sport in South Africa. Scheduled interviews are important for the integrity of the research, and to reduce the likelihood of errors. A detailed structured interview guide was developed for the two categories of participants. This is necessary to avoid bias. The interviews were structured to gain a better understanding. The researcher scheduled the interviews at 13:00 on 24 May 2019 when betting was open and at its peak. 13:00 was the perfect time to conduct interviews because, at that particular time, the racing is at its peak. The interviews were conducted inside the betting shops. The researcher conducted the interviews face-to-face with customers and the selected CEOs. The researcher first sent an email request with the gatekeeper's letter requesting a meeting, followed by phone calls to request face-to-face interviews. This allowed the researcher to have a natural feel of the environment of the organisation and their customers. The interviews were conducted and data was successfully collected to gain an in-depth understanding of the participants' views.

4.8 Data Analysis

Thematic analysis was the method of data analysis used in this investigation. This made it possible to evaluate qualitative data in-depth. The procedure entailed becoming acquainted with the material, since a theme analysis is an adaptable research methodology that considers people's perspectives in addition to their knowledge, experiences, opinions, and values. These elements helped to create a qualitative set of data that served as the basis for the creation of themes. Several topics emerged from the investigation. The best themes were developed by integrating the literature review and the transcripts of the interviews. The topics centred on the sustainability issue and associated difficulties to support integrated information interpretation (Bryman et al. 2015:385). The interviews that were examined by taking into account various responses were the main focus of the qualitative research. The information was evaluated through the classification of various themes derived from the literature review and interviews. The various difficulties the industry faces were analysed through the development of a theme. Based on the sampling method, an intelligent verbatim transcription procedure was used to improve readability and ensure that the data is collected correctly and there are no mistakes. A review of the body of prior research helped identify themes and provide context for their application

4.9 Limitations

Hutchinson (2013:5) explains that limitations are the influence that the researcher cannot control. Recognition of the limitations of the study assists in discovering chances to establish ideas for future research. It is imperative to recognize practical limitations to grasp their effects in the research. The study concentrated on the elements influencing the sustainability of horse racing activities in South Africa; more research is needed to determine the elements influencing the sustainability of the horse racing business globally. The selected sample is not representative of all South African horse racing organisations. Because the punters' interviews took place at establishments where bettors were placing wagers, and because the interviews took place during business hours, the timing of the interviews was constrained.

The following were some of the study's limitations:

a) Sample size: Twelve respondents made up the entire sample size for the qualitative study that used purposive sampling. This limited the opportunity to get a comprehensive understanding of the issues and compliance in the nation's gaming and

betting business. The study's scope was restricted to the Republic of South Africa; if it had been conducted elsewhere, it might have produced different findings. This reduced the amount of higher-level knowledge that might have been generated about the transformative policies and the difficulties encountered in developing and adhering to the legal structures that have affected the gaming and betting sector.

b) Absence of trustworthy information: Key components of gambling and betting were not covered in the data gathered from various literary sources. Less information has been uncovered regarding the circumstances surrounding the rise in status of formerly marginalised South Africans who have found success in the betting sector. A major drawback of the entire study has been the dearth of useful information.

c) Data collection methods: Only qualitative data was used for data gathering methods. This research was unable to obtain comprehensive information regarding the data gathering process since no primary data research method, survey, or other research technique was used.

4.10 Ethical Considerations

Ethics standards have been observed and applied throughout the study. The researcher acquired informed consent by providing the participants with an information sheet and consent form. Once the form has been read and understood, then the informants were allowed to decide whether to participate in the study. The participants have also been notified by the researcher that should they not want to answer any questions, they are more than welcome not to.

In addition, the gatekeeper's letter was obtained from the participants, where consent to conduct the research was obtained by the researcher. Making data anonymous means moving the contributor's name, and that is important. The responses from the participants remain confidential and are used in the study for academic purposes only. According to Marshall and Rossman (1999:49), it is particularly important to protect the identity of the participants, to ensure the confidentiality of the research. Confidentiality and credibility were ensured and were kept throughout the study. All ethical aspects were indeed observed.

The responses from the participants remain confidential and will be used in the study for academic purposes only. According to Bryman et al. (2015:389), it is very important to protect the identity of the participants to ensure the confidentiality of the research. The report of this study maintained anonymity and confidentiality. It was crucial that participants in the study gave their consent and did so voluntarily.

4.11 Trustworthiness

The trustworthiness of the research depends on the issues, qualitatively discussed as validity and reliability. Increasing the reliability, validity, trustworthiness, quality, and consistency is important in any paradigm. Golafshani (2003:5) notes that trustworthiness revolves around four issues: credibility, confirmability, transferability, and dependability. Credibility, often called internal validity, refers to the believability and trustworthiness of the findings. Confirmability is measuring the objectivity used in evaluating the results, describing how well the research findings were supported by the actual data collected when examined by other researchers. Thus, findings were confirmed and examined to ensure that there are no inappropriate biases that impacted the data.

Golafshani (2003:8) states that transferability is often called external validity, which refers to the degree that the findings of the research can be transferred to other contexts by the readers. This means that the results are generalizable and can be applied to other similar settings, populations, and situations. Dependability, otherwise known as reliability, refers to the consistency with which results could be repeated and result in similar findings. Because of the nature of qualitative research, the researcher documented all aspects of changes or unexpected occurrences to further explain the findings as this is important for other researchers who may want to replicate the study.

According to Akrani (2011:5), validity refers to how well a test measures what it is supposed to measure. For a study to be reliable, it needs to be valid. Validity is important because the researcher wishes to collect the true findings of the study. Reliability refers to the repeatability of findings and consistency in research. Reliability promotes consistency and ensures that the research instrument achieves consistent findings.

4.12 Chapter Summary

Chapter Four highlighted the research methodology. A discussion was presented by the research on the research instrument employed. Scheduled interviews with the respondents were conducted. An in-depth analysis of data obtained from the interviews of both the CEOs of the three selected organisations as well as customers in the outlets of these organisations is presented in the next chapter.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.1 Introduction

This chapter presents the data on the factors affecting the sustainability of the horse racing industry in South Africa. Data presented in this chapter include respondents' demographics, gender, ethnic group and the sizes of the selected organisations. It also unfolds the participants' interview questions, starting with the three CEOs and the four punters that were interviewed.

These results are discussed and are aligned with the objectives of the study. The overall objective of the study was to investigate the factors affecting the sustainability of the horse racing industry in South Africa, in the case of the gambling sector. The objectives are intended to identify the key factors that are affecting the horse racing industry.

5.2 RESEARCH FINDINGS

Different respondents were chosen and contacted for this study to interpret the results, attest to the respondents' anonymity, and guarantee the confidentiality of the opinions expressed during the interview. A thorough analysis of the respondents has been shown to the research supervisor; however, this information is not provided here in order to protect the privacy of those who consented to be interviewed for the study. The perspectives and interview transcripts from the respondents listed above were arranged and presented according to the relevant themes.

5.3 Theme 1: Historical evolution of the horse racing industry

It is apparent that Gold Circle has a loyal support base. The vast majority of those interviewed have been customers of GC for more than 10 years. Sadly, this may also indicate that GC is failing to attract newer and younger audience.

On a positive note, more than 85% of patrons, both on and off course, indicated that their tote betting experience was the same or better as before and that the level of betting-related information provided was acceptable or good.

5.3.1 The stakeholders of the horse racing industry

Stakeholders of the horse racing industry play a vital role in ensuring sustainability. This includes their financial status and commitment to the development of the industry. The CEOs who participated in the interviews shed more light on the pivotal role of major stakeholders in the industry.

Many among the respondent stated that the people who own racehorses *“are the biggest stakeholders of the industry because they are always willing to spend more than R580 million per year ensuring that the racehorses are trained and are monitored”*. This means that such people stake not only their monetary and material resources but their commitment to the development and growth of the industry.

Similarly, participant B stated that the people who own Jockeys and their trainers are major stakeholders *“because they ensure that the horses are well-trained to run the race”*. This is important because training makes the horses more productive in terms of strength and skills.

Participant C responded and stated *“It will have to be the two operators Gold Circle and Phumelela Gaming, the customers who bet daily”*.

“The participants agreed that without these stakeholders there would be no racing. The emphasis on the monetary contributions of the stakeholders, as indicated by participant A, is crucial for the sustainability of the industry. Training the horses as well as the remuneration for the trainers and other employees of the industry requires money”.

Over the years the horse racing industry has grown. Jockeys play an important role in riding these horses whereas owners and trainers play a vital role in ensuring that the horse is healthy and profitable because the maintenance and training of the horses costs money. Loker (2019) has noted that one of the reasons for the decline in the industry is because of the required resources to maintain a racehorse and payment of all the relevant fees. Consequently, lovers of the horserace business have opted to join syndicates instead of owning a horse individually.

5.3.2 History of TOTE

In 1996 Gold Circle was formed and in 1997 Phumelela gaming was formed, as such the two operators of horse racing and sports betting have been operational since then. This question aimed to gain understanding as to *“how long the punters have been punting or betting on horse racing and sports as this question assisted the research to*

understand the historical development of the horse racing industry and how it has grown". Some of the punters claimed that they have been involved in betting in local race for more than ten years. While Punter B said, *"I would bet anytime when I have extra cash"*. According to Punter C, *"I considered betting as a source of extra income"*. This implies that financial availability and prospect of additional income were the motivation for their participation in betting. Punter D added a new dimension to this financial motivation. According to him, he inherited gambling from his parents. *"I have been in the gambling game for more than ten years; my father was a gambler, my grandfather was a gambler, this is how I make my living."* Thus, to this Punter, gambling as a source of finance runs in the generation of the family. Thus, it would be hard for him to deviate from gambling as a source of living. Even though they still participate, but the ability and capability depend largely on the regularity of their source of income. To bet, punter needs money. The state of the economy affects their financial capacity to bet as before. This means that improved economy would boost motivate their continuous participation in the betting game.

The findings clearly state that in the outlets, in all the three selected organisations, there are punters who spend their days in the outlet, betting. If there are no racing, punters are affected, again if the weather favours the punters, then betting is possible.

5.3.3 Technological development within horse racing sport

The changing technological innovation, especially Information and Communication Technology (ICT), has contributed to the development of industries and organisations globally. As a major driver of globalisation, ICT has broken down barriers that have created boundaries and limitations to exploring the environment. With the concept of a global village, ICT has redefined the nature of interactions among citizens as well as the operations of organisations and society in general.

This also manifests in the gambling industry where technological innovations have defined the limits of the sustainability of the business. These impacts are in different shapes. Participants expressed divergent views on the contribution of technology to the sustainability of the horse racing industry in South Africa.

Participant A stated that the advent of technological innovations *"has affected many areas of our lives, through the years the way we work, commute, cook, clean, communicate and entertain ourselves has all changed"*. According to the participant, *the horse racing industry has benefited more from the development of gambling*

machines because “ we have been able to do our jobs with ease, and make our punters bet easily”. Nevertheless, the same slots machines inventions as well as the internet revolution have encouraged illegal gambling, a development that has contributed greatly to the decline in the gambling industry”.

The application of modern technologies in the industry, therefore, has brought both negative and positive impacts. Participant B expressed a similar viewpoint. Stating,

“Technology has developed over the years, and while we tried to keep hold of many of our traditions. Technology has helped us with the maintenance and safety of the riders and their horses. These are of paramount importance to the organisers and stakeholders. Using bright colours on fences helps horses to see them better in jump races, reducing the number of accidents. The disadvantage is that online gambling is harming our turnover (Participant B).”

Similarly, Participant C expressed the same sentiment.

“While modern technology has exposed the industry to different forms of dangers, it has remained the key and has assisted us to improve our business over the years, as we have benefited a lot from the development of technology, even though online gambling such as bingo and casinos have not been helping the fortunes of our business” (Participant C).

The researcher discovered that throughout the years, technology has been playing a key role in improving the safety of the horses as well as the riders. A horse overheats at times after a hard run which constitutes high risk and endangers their safety. The use of thermal imaging cameras helps veterinary officials to check, regularly, the accurate temperature of the horses after a race. At the Gold Circle's Grayville race course, ICT innovation enables punters to engage in mobile betting using their cell phones and tablets. Similarly, there were lights on the finishing post showing the positions of the racing horses. In addition, trainers, owners and the Gold Circle team use technology to schedule races while monitoring the weather and the tracks.

The punters are also aware of the impact of technology on betting. They acknowledged that bookmakers offer a variety of bet types but their preferences for Tote outweigh its advantages. They agreed that sustaining the sports of the horse racing industry requires substantial costs. Technological advancement has pushed more customers to digital betting, which is more convenient for punters. They prefer the use of betting App on horse racing because of the ease of payment. Punter B said, *“I bet on horses only – I prefer taking a bet now and getting paid right after the*

race. I, therefore, use the App". The preference of Punter B and C goes beyond just ease of payment but also their understanding of how to navigate around the digital betting platforms. Punter C said,

"I have more knowledge in horse racing, I can read my race card and I grew up betting on horse racing technology has thought me that I can bet while I am in the comfort of my home, so I use the internet".

This means that beyond ease of payment, familiarity with the horse racing sport and the understanding of the technology associated with its digital features increase punters preference for the use of online platforms and Apps.

Similarly, Punter D, who preferred sport betting only hinged his preference on his familiarity with and understanding of the games. *He said, "I prefer betting on sports because I know my sports more, I prefer watching all the games and predict the winning results and I use the App"*.

The soccer betting customers go to any Sports betting outlets and take bets then leave while horse racing punters enjoy the environment of a betting outlet. In horse racing, there will be horse racing terminals, a bar, a tote as well as a restaurant because these punters stay in the outlet all day, then the sports and racing punters would take their sports bet and leave the outlet. Though, the punters are betting; but not as they used to do because of the state of the economy in South Africa. With the development and transformation of customers into digital platforms, customers no longer have to go to the outlet but to tune in on Tellytrack and watch horse racing then take their bets from their mobile Apps or the internet.

The Punters agreed that the use of technology is the first challenge that is affecting the gambling industry in South Africa. The Punters agreed that the companies were alive in the depth of information on their digital platforms. For example, Punter A said that the three companies had good knowledge of their shared information and that Punters found them useful for them. Punters B, C and D also agreed that there was the need the adapt to the use of technology, especially Apps, in the gambling industry for the game to be sustainable.

Locker (2019) states that in addition to sustaining the information for customers, Gold Circle has introduced GTV, which is available for customers on all the outlets as well as customers in all the outlets. This has assisted the customers to tune in live and watch what transpires on course. This facility broadcasts from Grayville racecourse race meetings as well as Scottsville racecourse meetings. The punters acknowledged

the effort of the companies in the area of adapting to the use of technological betting platforms. The Gold Circle in particular, introduced the Betting App, the Cash card betting and loyalty programme, TabGold enhancements such as the payment options after customers win. TabTalk assists customers resolve problems associated with betting through direct communication with the TabGold Administrators.

5.3.4 Participant's Bet types

In horse racing sports, punters have a variety of bet types. In response to the question on their preference for betting types, the respondents agreed that swingers, wins and lucky numbers remained their preferences.

This shows that punters have not changed their bet types completely. Punters have added extra to their betting options, which creates a wider range of betting options. It is appropriate to point out that sports of horse racing in South Africa are not regenerating. There are no punters who bet and are committed to betting. The younger generation only bet on big events such as the Vodacom Durban July, The Summer Cup, and the Sun Met and only because there is hospitality/ entertainment with a lot of fun around. There is an opportunity in the sport of horse racing, whereby a continuous link between horse racing events and entertainment in public can be grown (Moodie, 2019).

5.4 Theme 2: Sustainability of South Africa's gambling sector

5.4.1 Financial Management

Financial management predicts the consequences of disruption of a business function and process. If punters/customers do not have money to spend the business gets affected. Financial mishandling of the organisation would also affect the business. The financial impact is a challenge in the horse racing industry because poor financial management causes the market to decline. The participants admitted that their organisations were prudent managers of their finances. According to Participant A, the organisation reviews its fiscal policy regularly, *"through the active procurement department"*. This helped the organisation *"manage our spending because our turnover is declining yearly"*. The other participants also subscribed to this assertion; in particular, participant C added that the organisation's *"auditing team is always on point and double-checks our expenditure."*

A lack of proper financial planning would lead to a business losing revenues. The participants stated that even though they managed their finances properly, the turnover was declining. This shows that accurate record-keeping, timely financial reporting, and regulatory compliance are important as they would assist to measure the business's financial standing. In addition, financial analysis is important because it would pinpoint business units that are struggling and compares segment current data to historical information. The participants further agreed that through a positive attitude, hard work, and maintaining customer satisfaction, the industry will eventually be sustainable. The respondents indicated that all the bookmakers and totalisators were aware that the turnover was declining. Pillay (2017) has noted that the industry continued to decline every year by 7.2%. And as such, there is a need to regenerate the industry.

5.4.2 Illegal gambling

Illegal gambling is another challenge facing the horse racing industry in South Africa. Customers no longer bet on outlets anymore, they rather spend their money in all these illegal shops that have been opened and this is affecting the operation of the horse racing industry.

The participants agreed that illegal gambling was hurting the industry “because members of the public are always seeking quick cash” (Participant A). This, according to Participant B, has made horse racing to become less appealing to the public.

“Illegal gambling has grown drastically in the past few years. Every corner has hidden machines that people are using for gambling. In Umlazi, KZN, there are over 80 shops that we found with the gambling board that are illegal shops for gambling, and they were all full (Participant B).”

Indeed, the proliferation of illegal gambling had forced the industry to close some of its outlets. According to Participant C, *“Most of our outlets cannot even breathe; hence we closed the Chatsworth unit 7 and Everton outlet because in every corner there are illegal gambling machines, and they are getting out of hand.”*

The participant expressed a state of hopelessness in dealing with the scourge of illegal gambling “The problem is bigger than the stakeholders and has become more uncontrollable because even the KwaZulu Natal Gambling board has not managed to stop Illegal gambling” (Participant B). Participant C disclosed that some bookmakers had to close down because there was no business. “Bookmakers such as Morris’V and

Bet Exchange and more due to growth of illegal gambling have closed down. No more business because many of the customers now engaged in illegal gambling” (Participant C). Most computer shops in Umlazi, Port Shepstone, and even in Kokstad are filled with games, which provide people with opportunities to engage in illegal gambling.

It is evident from the respondents that public participation, government regulation, the state of the economy, tote decline, export protocols, and illegal gambling are major factors that are affecting the horse racing sport in the country. From the insider’s perspective, this assertion is the reality. This assertion is in tandem with the findings of Loker (2019) and Moodie (2018) in their respective studies. Loker (2019) states that illegal gambling has gotten out of hand in South Africa because the operators were operating freely. Sadly, the KwaZulu Natal Gambling Board is not doing enough about this issue of illegal gambling. Besides, the prosecution process is both lengthy and ineffective. For instance, the KZNGBB and NGB have been able to institute only 18 cases of illegal gambling in KZN, Loker (2019).

Naik (2018) says that NGB is not doing enough to combat illegal gambling, although there are laws in place. In KwaZulu Natal only, there are more of these establishments and are growing at an alarming rate. The National Gambling Board (2019) stated that between 2015-2019 R587 million in revenue was lost to illegal gambling. In addition, the impact is not only felt by the gambling industry, but it also affects everything from job security and corporate social investment budgets to their ability to support the economy through taxes. The National gambling board did highlight that around 4000 jobs are being lost because of illegal gambling, Loker (2019).

5.4.3 Skills Development and Skill Shortage

Skills development is the process of identifying skills gaps and developing and honing these skills. These organisations need to deal with this challenge of skill shortage and skills development because it determines the ability to execute all plans with success. Skills development assists all organisations to achieve their goals and objectives. In the horse racing industry, skills development and skills shortage are challenging. Participants agreed with this assertion.

Horse racing requires some skills; but according to Participant A a graduate in marketing (honours degree), with *“experience in bookmaker and tote business in*

horse racing industry, special skills in training a horse and ability to read the race card” is generally required. This requisite qualification is necessary but mostly acquired in the industry. Besides this, people in the *“horse racing sport should be skilful investors in other businesses that will assist in funding horse racing because its sustainability requires huge and consistent financial outlay”* (Participant A). ’

Horse racing and gambling require *“special skills on how to pay bets, read a race card, train and of course, be business-minded”* (Participant B). Stakeholders, especially bookmakers, should *“possess effective communication and interpersonal skills to negotiate with government officials. Good communication and human relations skills go a long way in creating rapport with the government”* (Participant B).

To Participant C, *“We so happen to be limited on what we can do because of the various gambling restrictions, but we are developing skills such that our employees can grow within the industry through practice and mentoring to become clerks, and from clerks, they possibly become managers after extensive training.”* This sort of in-service training would go a long way in creating a pool of new stakeholders who might continue to develop the games through modern innovation and commitments.

Skill development is critical for the sustainable growth of the horse racing industry in South Africa. The industry requires skilled jockeys, but they are expensive. Thus, in-house training would be the best option for bookmakers. Horse racing also requires grooms who would take care of the horses. Inexperienced or incompetent grooms would be unable to maintain the health of horses. Professional grooms are expensive because of their special skill to train racing horses. The industry also requires trained clerks who oversee the betting unit of horse racing. Other required skills are the till operators, who are trained to lay bets and be efficient in laying customers bets. Managers need to be accurate in running the outlet of horse racing (Scholtz, 2016). Moodie (2018) has noted that horse racing required a lot of skills development. Maintenance of the tracks or Polly track required skills such as the ability to know when and how to grow and maintain the tracks.

5.4.4 Gambling regulations

Gambling regulations are a challenge in the horse racing sport. Though the industry is governed and regulated by the NGB, there are a lot of regulations that challenge the industry's sustainability capacity. Some of the regulatory requisites limit the financial returns of most organisations. Challenges such as age restriction, inability to market the business, and the number of licenses permitted per province, are limiting the operational capacity and network of the organisations. The response of the participants to the challenges posed by these regulations indicates that the industry is struggling to overcome the hurdles.

According to Participant A, the NGB has a consistent way of setting prohibition rules that limit the operational capacity of the industry. The participant stated that no amount of *“consistency, marketing, and diversification can be enough for us to breakthrough because the gambling board consistently prohibits ways that we as the industry can survive.”* To Participant B, *“the gambling board needs to play a role in supporting the industry instead of increasing tax. The national gambling board must make bookmakers' licenses available for us so that we can grow our businesses”*.

In other words, the horse racing industry has to behold the NGB for survival because bookmakers are not sure of the next regulation that would jeopardise or restrict their operations. The annual renewal payments constitute financial strains. To this end, participant C perceived this as a deliberate effort of the government to stifle the operational and sustainability capacities of the industry. *“Our government is very harsh due to lack of understanding of the industry, we are underperforming because we must pay too many renewals every year, which is stressful to the business”* (Participant C).

The inconsistencies that characterise these regulations often limit the authorisation to market the business. These regulations also require strict adherence with the flexibility to enable bookmakers to navigate the dynamism associated with the operations of the industry given that the peak periods go with the seasons. Regulations such as self-exclusion, public advertisement, and age restrictions are necessary rules that the industry must ensure compliance with the NGB monitoring.

The participants were of the view that the NGB should limit its responsibilities to playing limited roles rather than an incessantly increasing taxes. For instance, as of 19

July 2022, the KZN parliament has proposed legislation to rescind the the 3% contribution that has been paid to Gold Circle, (Moodie 2019). Should this legislation scale through, Gold Circle would be on its way to liquidation. Thus, the participants perceive that the government's lack of understanding of the underpinning factors that affect the industry has remained a challenge to the sustainability of the industry. The participants believed that the government based its regulatory actions n the assumptions that the industry is doing well whereas, the environmental factors are limiting the operational capacities. The gambling licence is expensive to acquire, hereby The findings of the study show that gambling regulation does indeed play an important role in the factors that are affecting the sustainability of the horse racing industry in South Africa, and constitutes a sustainability challenge for the industry (Moodie 2019).

5.4.5 Gold Circle Dormant Telephone Betting Account Holder Survey Results

The purpose of this exercise was to engage with Gold Circle account holders with dormant betting accounts and try and understand why they had not used their betting accounts for an extended period. These account holders had not used their account for varying periods, ranging between the last 3 and 18 months.

The reasons for inactivity are varied and have been summarized in the table below.

Like the cash customer survey, an almost identical number of respondents (86%) states that they were satisfied with the tote betting experience and found it as or more rewarding than before.

Thirty per cent (30%) of respondents indicated that they have accounts with fixed-odds operators, again confirming how widespread this betting avenue is.

Table 5.1 Primary reasons for not using a betting account

The primary reason for not using their account	%
Only use their Telebet accounts for big meetings	36%
Either too busy or less cash flow	36%
Registered online account but place their bets at the tote	10%
Have an account with the bookmaker whom they say offers better odds	8%

Have forgotten their account numbers and/or PIN	7%
Have had bad customer service, or who are losing money taking bets	4%
General questions	
Find a tote as or more rewarding	86%
Current customers believe they are spending the same or more on the tote	54%
Current customers believe they are betting as frequently on the tote	61%
Have an account with a fixed-odds operator	30%
Number of participants	103

Source – Gold Circle survey 2019.

Locker (2019)

The survey results of Gold Circle account holders answer the objective which seeks to assess the Tabgold account holders of the horse racing industry. Customers no longer have the luxury and extra money to bet. The results demonstrate the decline in telephone betting. Hughes (2015) states that South African consumers have been experiencing a significant constraint on managing their income due to the South African economy declining and this leads to customers spending less and do not have money to take their bets.

5.5. Theme 3: The economic impact of the horse racing business in South Africa

5.5.1 Economics of horse racing sport in South Africa

The South African economy is currently faced with a challenge. This is limiting the financial capacity of most of the South African population. Given that citizens would engage in betting after they must have met their basic needs, the paucity of funds limits their propensity to betting. Stakeholders in the industry regarded this as a major challenge since their business depends on the financial capacity of the people.

The participants considered the consequences of the national economy as a hindrance to the sustainability of the industry. According to Participant A, *‘with tote revenues decreasing, finding ways to fund the cost to stage horse racing and pay stakes to sustain the continuation of the sport.’* Consequently, decreasing revenues from the various business outlays of the industry means dwindling fortunes and a challenge to

survival. This is because when people do not have enough, they keep away from gambling and the industry needs constant patronage from the members of the public to survive. As Participant C noted, *“We are losing punters, we not generating the turnover that we used to generate, even on big events such as VDJ, we do not make the profits we used to make, and it is a source of concern”*.

This implies that the biting economic reality of the country is having its impact on the financial capacity of citizens to engage in gambling. While this is aggravating the dwindling fortunes of the industry, in terms of profits, it also reduces income to the national economy in terms of taxation.

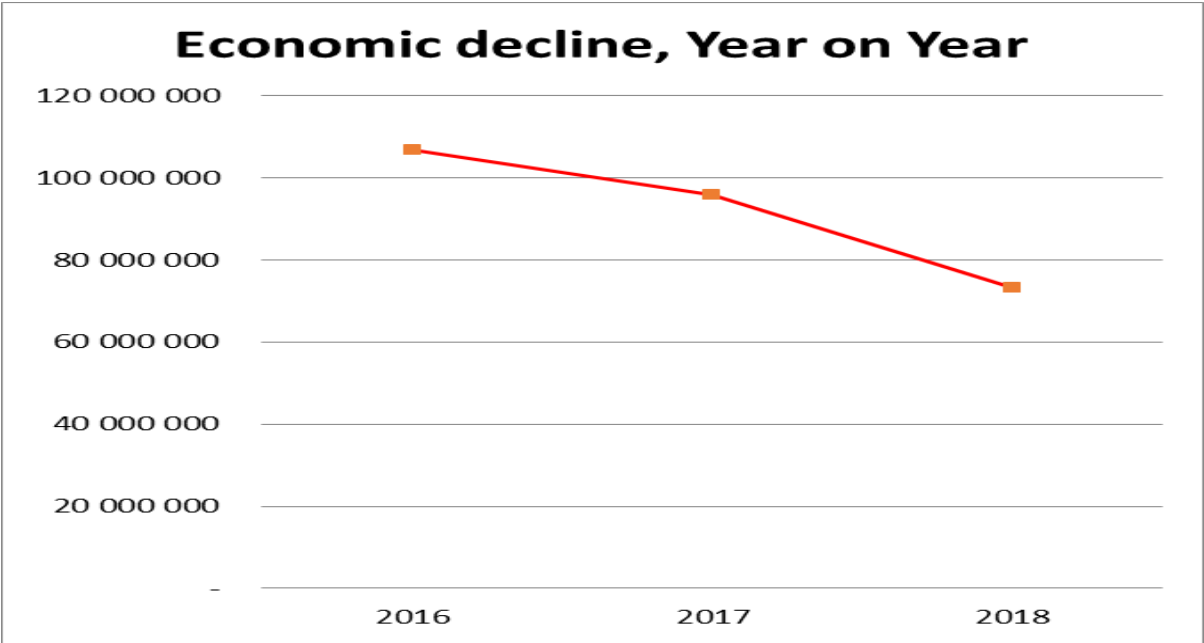


Figure 5.1 Economic Decline – year on year

Source: National Credit Regulator (2019): <https://www.ncr.org.za>

The graph above demonstrates the economic decline in South Africa from 2016 -2018. This leads to consumers’ inability to have extra spending because of the earning rate which continues to decline.

Participant A even agreed that they had to find ways to stage a normal race day and find ways to pay the horse racing stakes just to sustain the business. Participant B agreed with this coping strategy, staging horse racing fetches the organisation more money. The participants added that another source of decline is the preference of younger punters for making quick money at casinos or in different illegal gambling

outlets or betting on soccer. While the old punters are ageing, the dwindling rate of patronage leaves horse racing with a small number of consumers/ punters.

There is a great need for the government to assist the industry to grow, just like the government assists all other industries. The horse racing industry might be a gambling industry; however, it still contributes to the GDP and the economy of South Africa. The findings concur with De Beer (2015), who states that the economy of South Africa is declining; the sport of horse racing is not regenerating; as a result, yearly turnover is decreasing. Furthermore, the climate has changed, it is now expensive to maintain a horse, and horse owners are no longer purchasing horses as before, due to effects drought. All respondents agreed that the industry is declining. Punters who had a passion for the sport of horse racing no longer take bets when possible as they no longer have the luxury to spend due to South African inflation which is too high.

The economic situation affected the punters as well. According to them, the weak base of their financial fortunes reduced their involvement in betting games. Some of the Punters said that they participated less in betting because after providing for the basic needs of the family, they no longer had extra money as before to spend on betting. Thus, they only bet using the little cash left. Punter C said, *“I bet because I used to have a budget for betting and double that budget, these days that is almost impossible.”* But the case of Punter D is different. According to him, *“I bet more because fixed odds managed to double my betting budget, and I have been just earning extra cash from there.”* In other word, while others were having less to bet, Punter D managed to gain extra ash through betting on fixed odds. This pints to the fact that the general economic hardship could be circumvented of the Punters step up their betting skills and strategies, even though this might require extra innovative developments and strategies.

Dwindling economic fortunes, no doubt contributed to the decline in the patronage of the games by Punters. Marshall (2020) states that a lot of factors such as climate change, inflation, tax, and South Africa in a recession, were responsible for reduction in the capacity of punters to scale down cut on their spending. There is no longer the flexibility of having extra cash to spend on betting, and this, the horse racing sport has widely acknowledged. Furthermore, the inability to adapt causes unsustainable practices, environmental damage, pollution, destabilising soils, fuel increase are major factors affecting the sustainability of the horse racing sport in South Africa.

5.5.2 High Unemployment Rate

The unemployment rate in South Africa surged to the highest on a global listing, the current unemployment rate in South Africa is 32.9% (Statistics South Africa 2023). The high unemployment rate in South Africa is a challenge to the horse racing sport as the state of the economy in South Africa is currently unstable. People continue to lose their jobs in South Africa, and as such the population no longer has the luxury to take their bets. In response to how unemployment affects the industry,

Participant A said that the more unemployed people, the less the rate of customers because only those who have stable sources of income bet regularly.

Participants B and C in particular stated that given the decrease in patronage, unemployment has affected the inability of the organisation to meet up with its annual turnover expectations.

The implication of this is that if the unemployment market is saturated, regular betting would reduce drastically and the income generation of the organisations would decrease accordingly.

This assertion finds relevance in the literature, especially the position of Novuka (2019) who stated that the South African unemployment rate is affecting all businesses. The Covid-19 pandemic worsened the situation and some organisations that were shut down and individuals who lost their jobs are yet to recover from this negative development.

The graph below demonstrates the high unemployment rate in South Africa.

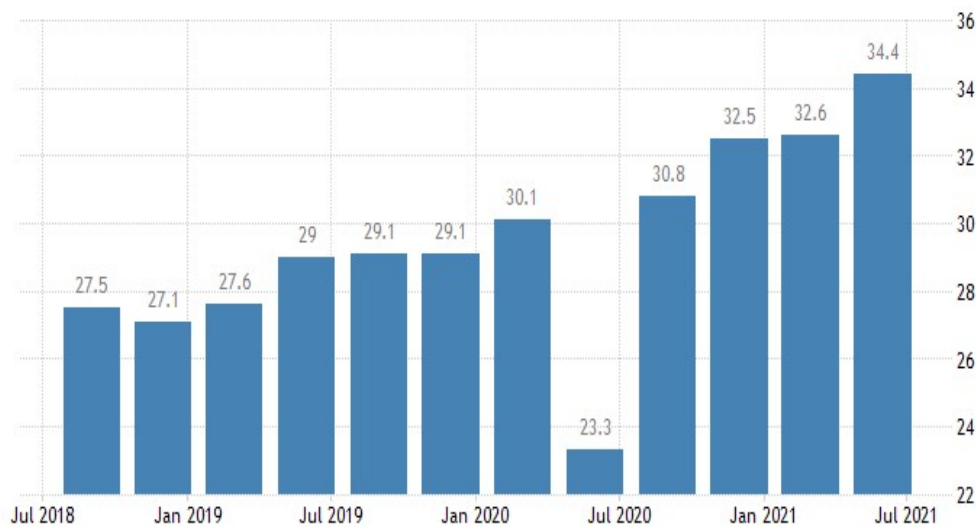


Figure 5.2 The unemployment rate in South Africa

Source: *The economy and business: (2021)*
<https://www.bbc.co.uk/bitesize/guides/zrwtmfr/revision/3>

Higher unemployment will mean that many households will have less income, and less income will mean that people have no extra money to spend. Khumalo (2020) states that the unemployment rate is playing a vital role in the economy of South Africa because as consumers' income decreases or no income, consumers do not bet at all and that leads to the horse racing industry decline.

5.6 Theme 4: Potential actions to keep the South African horse racing industry afloat

5.6.1 Marketing

Marketing is the set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large, (Novuka 2019). Companies must embark upon aggressive marketing to sustain competitive and comparative advantages and increase sales.

The participants indicated that their organisations were aware of the need for strategised marketing drives and the need to adjust to the prevailing market forces in the industry. According to them, more effective, marketing strategies were necessary for innovative measures to attract new punters.

Participant C, in particular, indicated the need to move towards digital gambling.

"We now engage in digital gambling as new innovative means to sustain the industry. We are on Soccer24 slides and bet365. In addition, we are always ensuring that we are pushing hard on our outlet competition where our customers stand a chance to win vouchers and promotional items."

This is one of the stakeholders' responsibilities for the sustainable gambling industry, as noted by some scholars and commentators (Allsopp, 2021; Nyström, Mccauley, Macey, Scholz, Bescombes, Cestino, Hiltcher, Orme, Rumble, and Törhönen 2022; Farrell 2023). Farrell (2023) has noted the need for technological innovation in marketing and operations as well as the use of incentives as a marketing strategy.

Participant A agreed that the marketing plan often needs to be adjusted because times have changed. Thus, digital innovations are measures to ensure that the industry keeps up with the market forces and dynamics. The horse racing sector needs to keep up with technology development (Allsopp 2021; Nyström, et al 2022).

5.6.2 Measures to increase sales

The main reason for the importance of marketing in a business is that companies need to market themselves to attract potential customers. The participants must seek possible measures to sustain the horse racing sport and ensure that the marketing is completed, and the sales will continue to increase.

The participants offered suggestions on measures to improve the marketing drives in the industry. Participant A opined that *"the introduction of new bet types regularly would increase the available betting options for customers"*.

Participant B corroborated this viewpoint, indicating that the organisation *"aims to increase sales channels; we want to add more retail outlets and implement e-business strategies"*. This strategy will attract more customers with a variety of options, especially when the associated measures appeal to the cultural perspectives of society. Organisations in the same category would begin a competitive race that would benefit customers, hereby drawing their interests and passion because of varieties of options.

Participant C expressed this much stating, –

“We aim to stay above our competitors, as such we will continue to change our odds, offer better odds than our competitors to attract more punters. We need this to boost our financial standing and keep us in the business”.

Introducing new bet types regularly in the industry would expand customers' choice and increase their interests. New Betting options such as greyhound racing (Betting on running dogs) is an innovative measure that would attract customers to explore a new type of fun and source of income. This will, therefore, keep the industry alive and surviving because new punters have the options of exploring additional betting types. Such innovation, according to Gumasing, Alonzo, Nazareno, and Guinto (2023), would attract new generations of punters who would like to explore new solutions and sources of relaxation while achieving their dreams. Similarly, He, Tan, Leong, Huang, and Junio (2023) have noted that this would increase the capabilities and capacities of the industry and boost government revenues.

E-business strategies powered by technological innovation have become a common mechanism in the gambling industry (Gumasing, et al, 2023; He et al 2023). The perceived enjoyment derivable from these technological measures and perceived ease of their use influence the behavioral intention and disposition of younger generation (He et al 2023). Opening of e-retail outlets would increase sales and boost financial capacities and capabilities of the industry. This would also curtail the impact of illegal online gambling that has attracted more customers at the expense of the traditional organisations and outlets.

These measures would entice new customers while existing punters would also want to explore innovative alternatives with prospects of new incentives. This mechanism has worked elsewhere, as noted by Lee, Peng, Lee, and Zhao (2022), McCartney (2022); and Liu, Dong, Chang, and Tan (2021). In Macao, for instance, the creation of the Creative Cultural Industry (CCI) changed the fortunes of the gambling industry in China (Lee, et al, 2022).

5.6.3 Potential New gambling market

The consequence of innovative technology in e-business is the discovery of potential new gambling markets. Potential new markets are important parts of a business future growth opened to the organisations to grow. Exploring this option for sustainable gambling industry is necessary.

The participant expressed their preference for the new market strategy of digital betting. Participant A state that more focus and attention to the development of online betting using apps have proven to be a new trend for the sustainability of the industry in the face of declining fortunes.

Some of the organisations have decided to move along the development. For instanc, participant B said that the *“company is currently investing a lot on the online platforms, more on bet games, and through digital advertising”*. Similarly, participant C added

“Ithuba is consistently introducing new market in Johannesburg, now and again there is a new lotto game show, off-course that affects the sports and racing company because punters would take whatever cent they have and invest it on the new game show, so do the casinos having to change the games and being open 24 hours, all those aspects affect us.”

This is an indication of the importance of adapting to the changing pattern of customers' preference to ensure suatainable marketing strategy. Indeed, some of the companies have decided to make online betting permanen. According to participant A, the company has decided to focus on online offering such as betting application and online betting and more digital marketing presence.

Similarpy, participants B and C indicated that their companies have priortised investing on the online platforms thereby capitalising on innovative mechnaisms to ensure sustainable operation.

Scholars such as Keswa (2019) have note that the new gambling market plays a vital role in the sport of horse racing industry, With a declining turnover, it I imperative for the companies to adapt to the use of ICT platforms to reah out to their customer as well as attracting new ones in the new gambling market. Proliferaion of new gambling Apps, illegal gambling, the new betting terminals by Casinos, as wel as issuance of new license to companies are among the fators that are esponsible for the decline in the fortunes of the gambling industry. Scholtz (2016) states that since 2009, there has been a drastic change in the gambling market, with Ithuba gaming being granted licences to perform Lottery, Sports, and now lucky numbers. This development contributed to the congestion of the industry of gaming sports. Thus, customers are now betting with Lotto instead of horse racing and other sports. Proliferatin of Bookmakers is becoming rampant. I Foe example, there are six bookmakers in the Durban (CBD) alone with less than five kilometers apart.

5.6.4 Differentiation between Totalisator and Bookmaker

The totalisator is based on pool betting where the operator would keep 10% of the pool and the balance would be distributed among the players who have guessed at least the minimum number of winning events both horse racing and sports betting, whereas Bookmaker does not engage in pool betting instead bookmakers represents a potential liability and spread the risk in response to the questions, on whether the potential customers know what distinguishes totalisator from the bookmakers”, the respondents answered thus: stated

Participant A said: *“No –remain as confused differentiation.”*

Participant B responded, *“No – Customers are unable to differentiate the two, instead, they know that Totalisator is pool-based, and they will back both.”*

Participant C stated, *“Some of our customers do, particularly our sports betting customers, they know that bookmakers you select your choice of teams, so are our pool-based customers they know that you bet on the pool you have been selected to bet on.”*

The new punters or potential punters remain confused as to what is the difference between a totalisator and a bookmaker, hence Participant A and B state that No punters remain confused, this is yet another challenge in the horse racing sector. Participant C though states that some customers are aware. To meet objective four, these operators must ensure that customers can differentiate between a totalisator and a bookmaker because the study found that the participants of these organisations understand there is a huge gap between the totalisator and the bookmaker; as such, ever since the bookmakers have started operating, the turnovers of totes have drastically declined. Furthermore, bookmakers have come into the industry and offered a variety of bet times; hence the customers are now betting more with the bookmaker. These findings concur with Moodie (2018); he states that fixed odds have shown significant growth in the horse racing sport, from 2016 to 2018 by 10%, while tote betting has reduced by 11%.

5.7 Findings from Literature review

The table below illustrate the geographic location of where the betting outlets are in South Africa as well as the betting outlets that have fixed odds, Tab and call centre. The geographic map also show the respective race courses that we have in South Africa

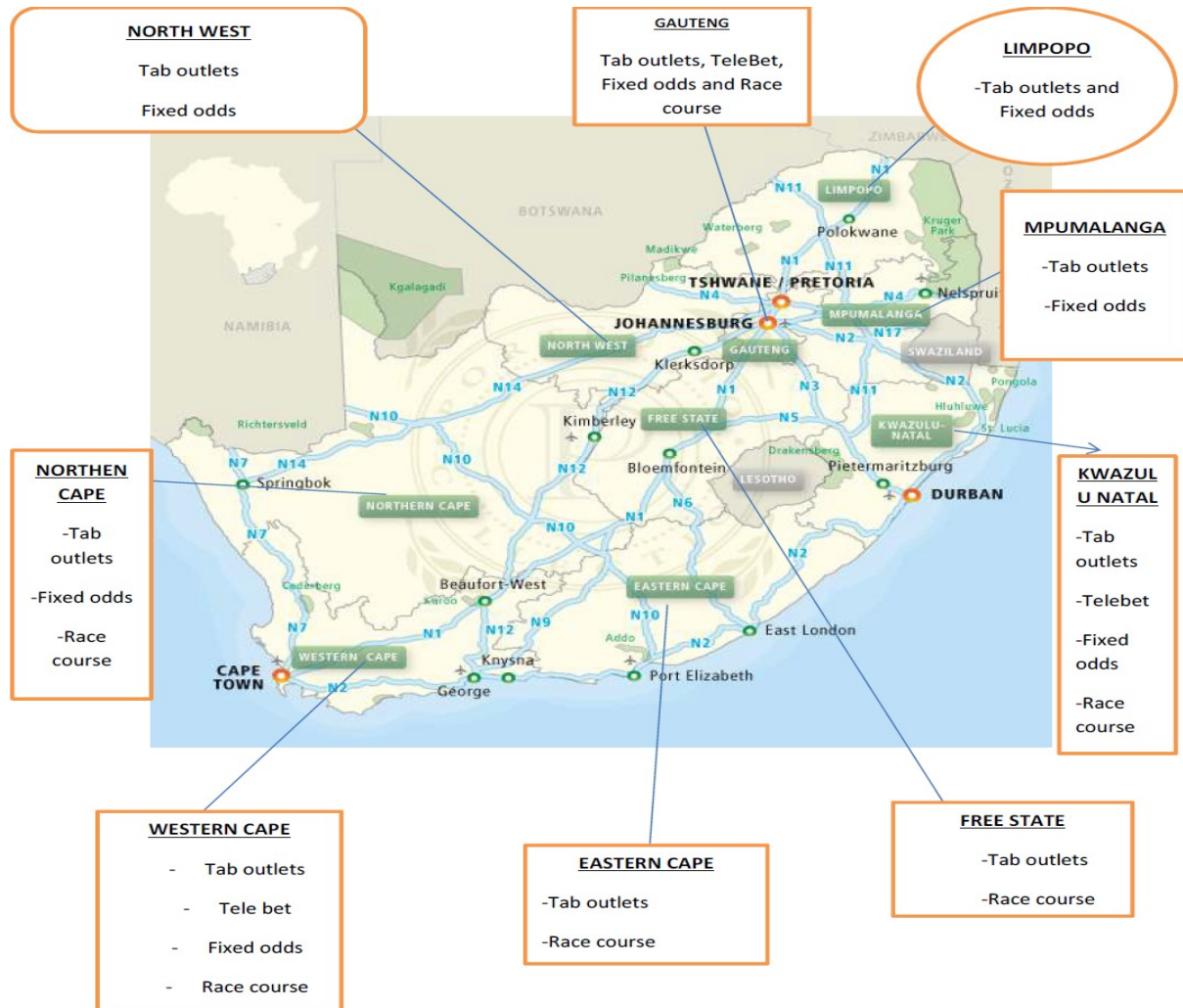


Figure 5.3 Geographical layout of racing in SA

Nathan (2016)

Since then, the industry has evolved into multifaceted operations outlets in different provinces. Furthermore, there are two operators in SA, the Gold Circle (Pty) Ltd, controlling the racing in KwaZulu Natal (KZN), while the Phumelela Gaming controls the remainder of the provinces. The bookmakers, such as Hollywood Bets, can open

in any province if the bookmaker gets licenced. Three popular races stand out above the rest, one in each of the three largest cities in the country. These are the Vodacom Durban July, staged at Grayville Racecourse, The Summer Cup, staged at Turffontein in Johannesburg, and The Sun Met staged at Kenilworth in Cape Town.

5.8 General Overview of the horse racing industry

Swing (2016) states that Phumelela and Gold Circle are the tote betting operators in South Africa. Phumelela runs the face courses in Northern Cape, Free State, Eastern Cape, Western Cape, and Gauteng whereas Gold Circle runs the KwaZulu Natal racecourses. The very first challenge that the horse racing sport is facing is the operation of Bookmaking (Fixed-odds betting). Bookmakers offer fixed odds betting where punters have a variety of betting options. This has been a challenge to Gold Circle and Phumelela. However, Phumelela was able to turn the loss of turnover by joining a fixed Odds company, the Betting World (Pty), and purchasing a 50% share of another company, the Sperbets. All these companies are Bookmakers.

Gold Circle opened Track and Ball in 2015, which is also a fixed-odds company. Hollywood Bets started running the Bookmaking industry in 2000 and 2019, and they have just over 100 outlets offering all different types of sports betting. Gold Circle and Phumelela suffer a huge loss. Hence totalisators are not generating revenue whatsoever. In addition, more bookmakers have started operating all over South Africa. G-bet has just over 30, Super bets have just over 50 outlets, Morrise Vee, the list goes on. This resulted in a 46% gross of gaming revenues to horse racing. Punters' contribution to winning bets struck with bookmakers returned 18% to horse racing. This means that Phumelela and Gold Circle took in R1.2bn have gross gaming revenues and returned R607m to horse racing while the bookmakers took in R411m and returned R75m. If bookmakers faced the same rules as the operators, then a further R100m would have been returned to horse racing, it is given that the horse racing sport is declining, Mkhize (2019).

Franken (2017) states that another challenge that is facing the horse racing sports industry is that, in 1996 when the gambling industry was regulated. All operators were required to report to both the National Gambling Board and the Gambling Board of each of the nine provinces in South Africa. This resulted in several challenges in the horse racing sport in South Africa and globally and this is now causing unsustainability in the businesses.

Gamble (2018) states that among these challenges, there are these serious challenges that just make it impossible to run a sustainable business. The Boards have different standards, and there appears to be little cooperation in achieving a consistent standard. This increases the costs of horse racing and results in economic inefficiencies. There are also regulatory differences between provinces with licensing requirements, conditions of a license, license duration, licensing processes, and interpretations of rules and standards, differing from province to province. Gamble (2018) notes further that gambling taxes, levies, and fees have become very expensive, which makes it difficult for bookmakers to sustain their businesses.

Gem (2013) notes that some license conditions further increase the cost of operation because regulators forced the continued operation of loss-making operations. For example, there are requirements in some provinces to retain certain racecourses. There are requirements to stage a minimum number of races each year and to retain a telephone betting/ call centre. Bet games (5 minutes of betting on lottery numbers) have been regulated. The lottery has been regulated with its own sports offering called sport stake, which generates millions for Ithuba gaming. Gitman (2019) states that Casino and slot machines have been regulated, which makes the gambling industry more complex. Hewitt (2010) states that illegal gambling, whereby clients can bet online, anytime anywhere, is one of the major threats in the horse racing sport. These factors compromise the financial integrity of the horse racing sport in South Africa. The high operating costs mean that less funding can be challenged back into horse racing with the implication for jobs, incomes, and the future of the sport.

5.9 Internal and external factors affecting the horse racing sport

According to Kokemuller (2017:1), internal factors are developments within the organisation that impact the approach and success of the business operation. He defines external factors as factors that consist of a variety of factors outside the company, and these factors are predominantly the factors that businesses do not have control over. Pillay (2017) states that the public has become more discerning in their spending patterns which is having a negative trend on gambling and betting turnover. The external and internal factors that affect the sustainability of the horse racing sport in the case of Gold Circle, Phumelela Gaming and Hollywood bets are as follows. -

5.9.1 Internal Factors

Khumalo (2018) defines internal factors as the factors within the organisation and under the control of the organisation no matter whether they are tangible or intangible. These factors are grouped into the strengths and weaknesses of the organisation. If one element brings positive effects to the company, it is considered a strength. These factors are discussed below:

5.9.1.1 Financial Performance

In the case of the Gold Circle, Pillay (2017) states that the revenue generated by the totalisator had not kept pace with inflation. The business is becoming more competitive, as Phumelela Gaming and Hollywood Bets seek to shift customers' preferences to other products. Gold Circle continues to pursue other betting avenues. As such, Gold Circle opened a company called Track and Ball, which is a fixed-odds business. Though Track and Ball still recorded a decline in gross gaming revenue from R29.9 million to R26.1 million, the sport of horse racing is challenged and is unsustainable. Phumelela gaming gross turnover declined from R69.2 million to R67.1 million in 2017 (Pillay 2017). Bookmakers such as Hollywood Bets, Morris Vee, Playa Bet, Sperbets, and Marshall's World of Sport were affected due to turnover declining by 7.2%.

5.9.1.2 National Tote and Fixed-Odds Trends

Figure 6.5 illustrates the revenue trends from 2016 to 2018. Turnover is largely generated in Gauteng, Western Cape, and KZN. Both Gauteng and the Western Cape and have seen an upward trend in horseracing turnover of 5% and 3%, respectively. KZN has seen a decline of 5% from 2016 to 2017 and a further 1% decline to 2018, as per the statistics in the national gambling board report.

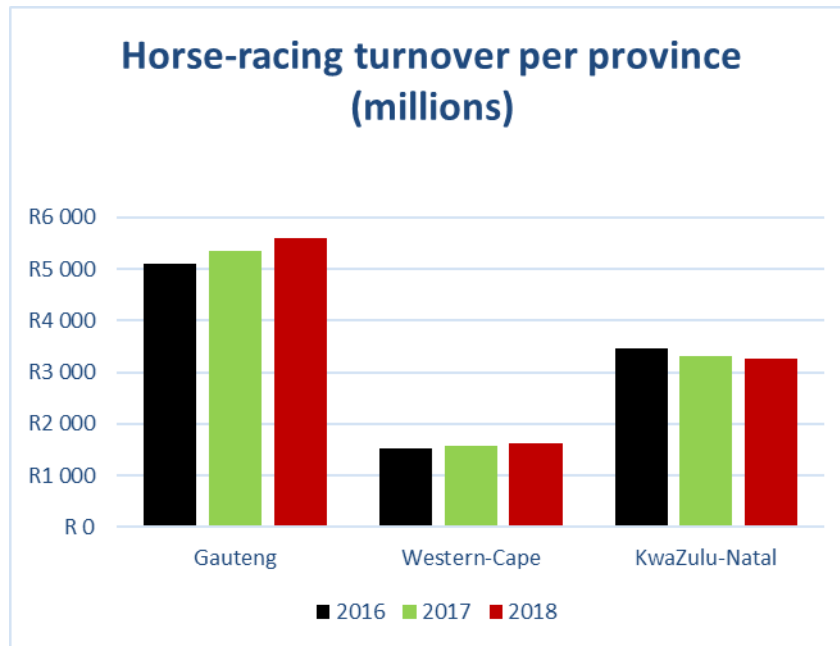


Figure 5.4 Horse racing turnover per province

Loker (2018)

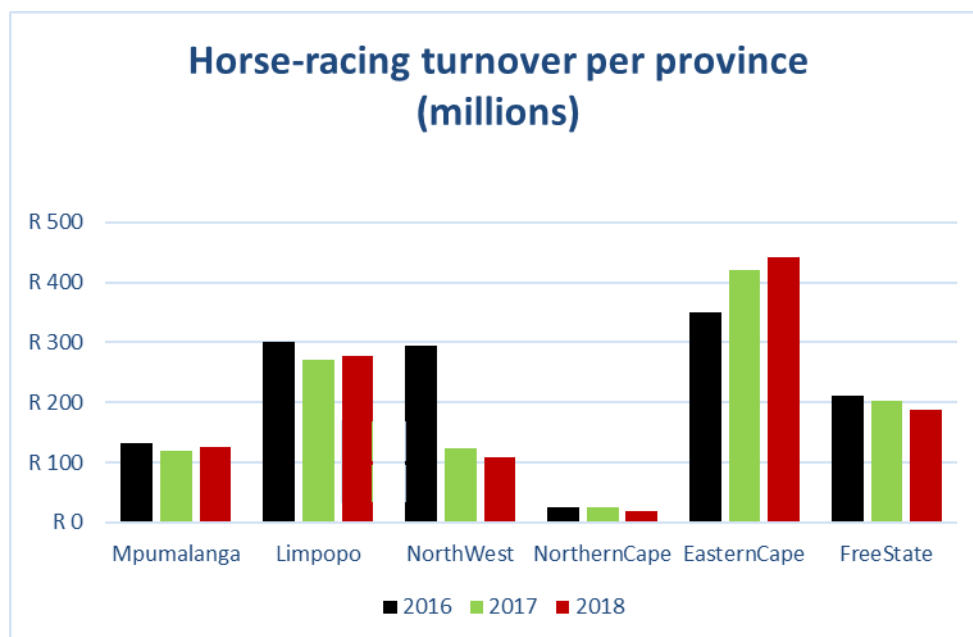


Figure 5.5 Horse racing turnover per province

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

In addition, figure 6.6 above demonstrates the horse racing turnover per province. As shown, Eastern Cape stands a high turnover in the display provinces; hence it includes

sports turnover. 2016 is presented in black, 2017 is presented in green and 2018 is presented in red.

All provinces have seen an upward trend in turnover from sports betting. While Gauteng has contributed the most to the overall turnover, KZN has seen the most growth of 76% between 2016 and 2018, however, declined in horse racing drastically.

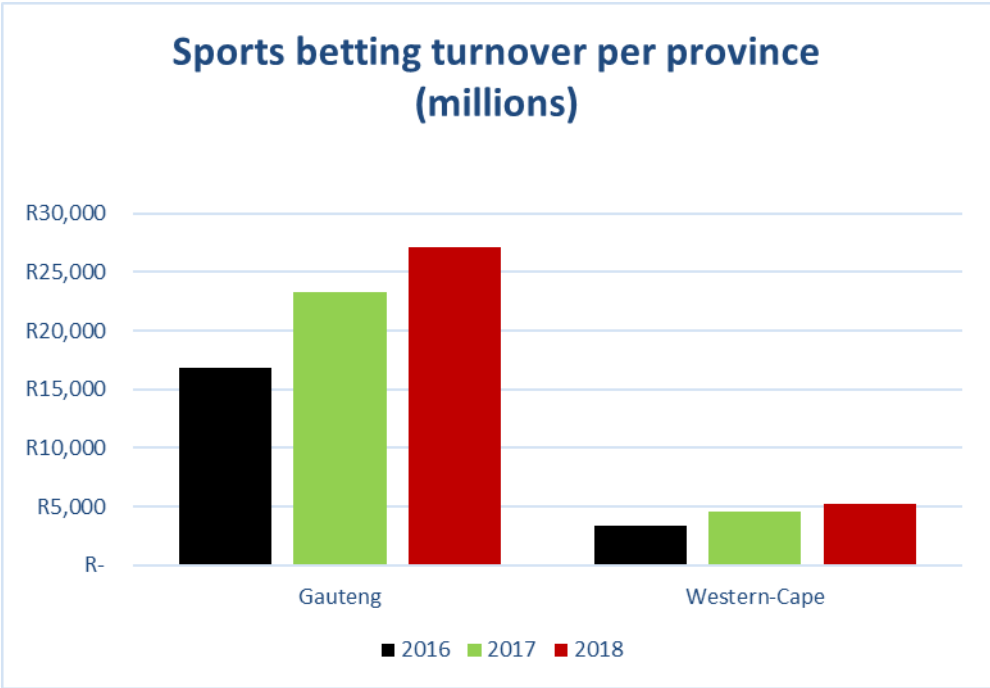


Figure 5.6 Sports betting turnover per province

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

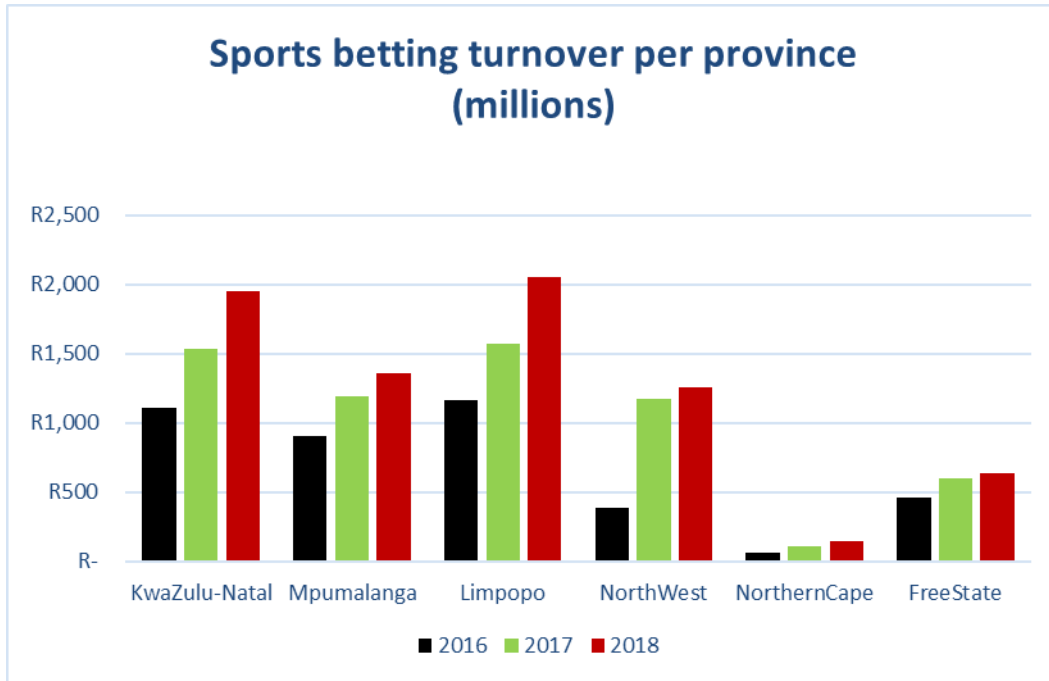


Figure 5.7 Sports betting turnover per province

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

Figure 6.8 continues to illustrate the upward trend of turnover from sports betting, while KZN shows the most growth of 76% between 2016 and 2018, however, in 2019 -2020, the decline continues and leads to 0% due to the National lockdown.

The table below illustrates the trend in turnover from the bookmakers vs. the totalisators. The growth can be summarised as follows:

Table 5.2 Trend in Turnover

	2017 vs. 2016	2018 vs. 2017	2018 vs. 2016
Bookmakers, Horse racing	4%	6%	10%
Bookmakers, Sports betting	40%	18%	58%
Totalisators, Horse racing	-7%	-4%	-11%
Totalisators, Sports betting	30%	-5%	25%

Loker (2018)

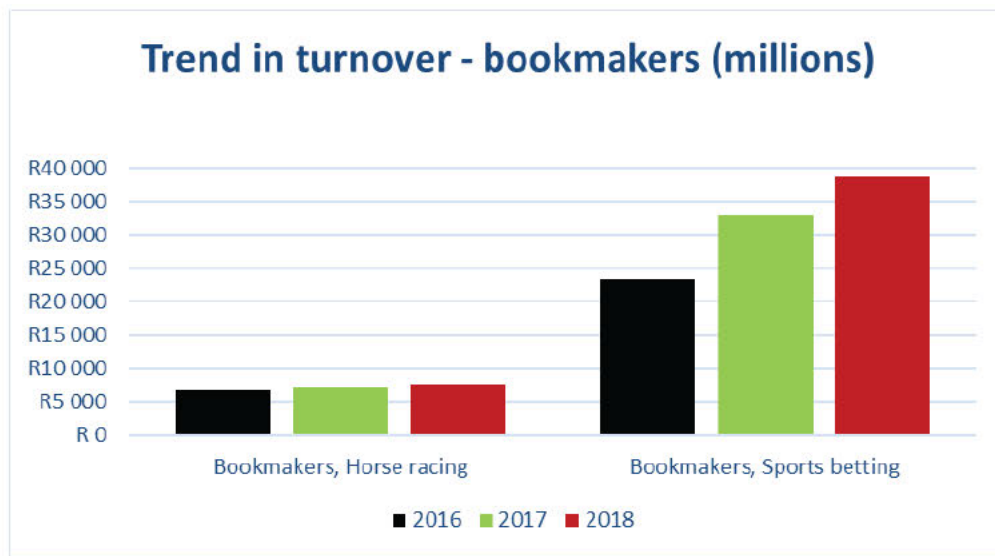


Figure 5.8 Trend in turnover – Bookmakers

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

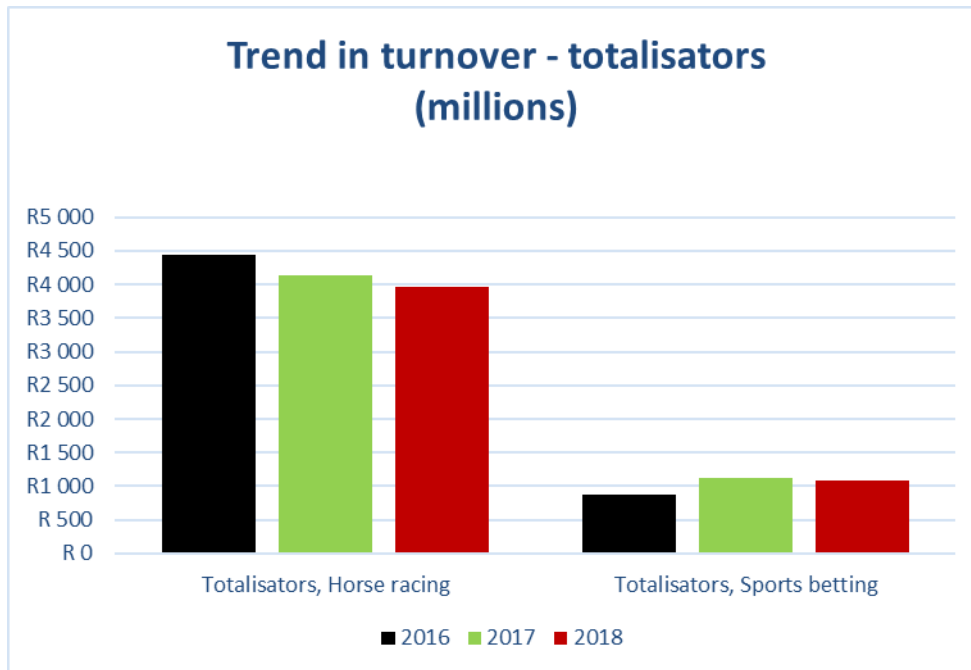


Figure 5.9 Trend in Turnover – Totalisator

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

The overall turnover generated by the bookmakers has grown by 10% between 2016 and 2018, as compared to the totalisators, which have shown a downward trend of 11% in this period. Sports betting is on the rise for both bookmakers and totalisators. However, the bookmakers have grown by 58% between 2016 and 2018 as compared to the totalisators, which have only grown by 25%.

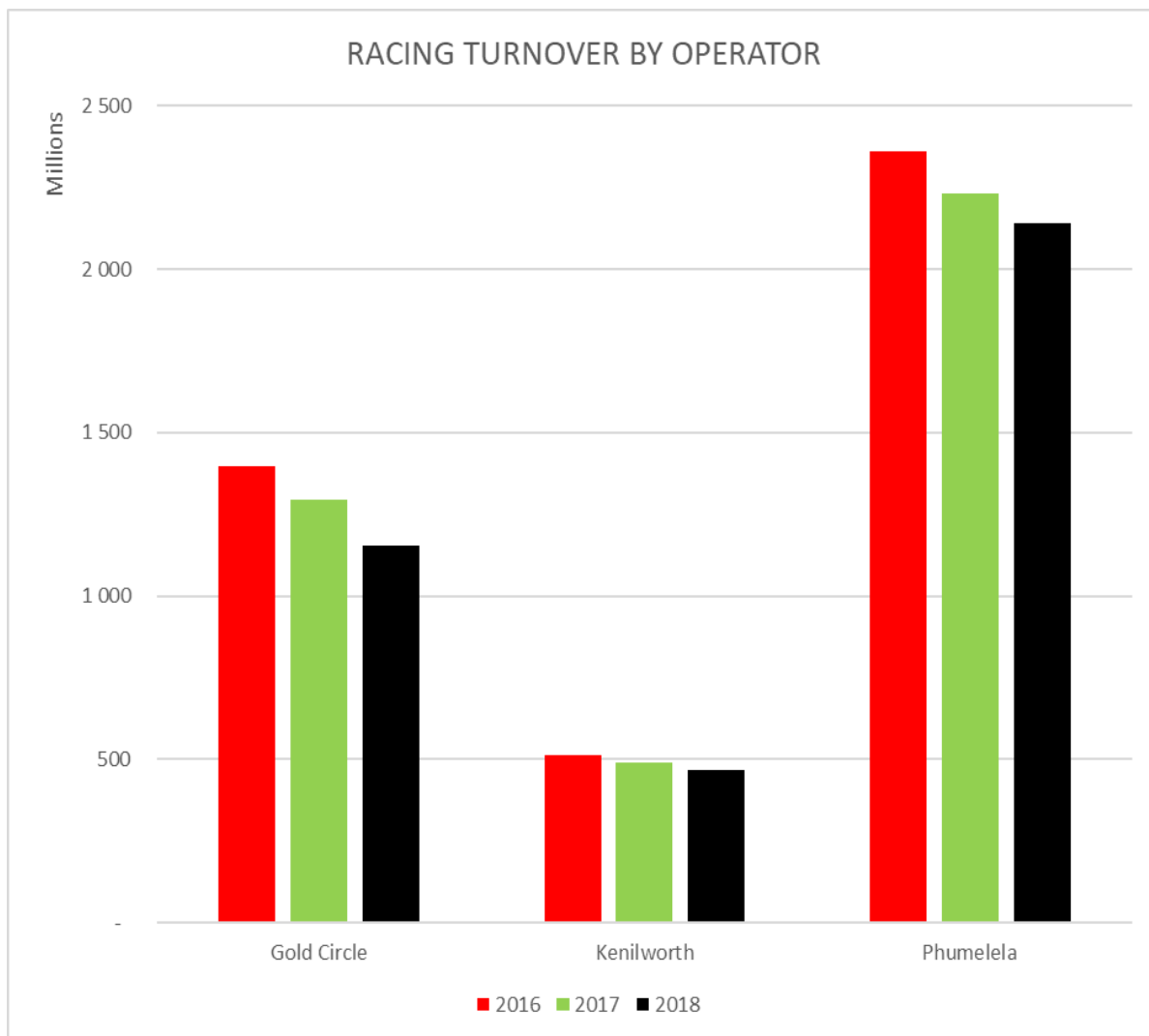


Figure 5.10 Racing Turnover by Operator

Source: National Gambling Board: <https://www.ngb.org.za>

Rhadebe (2018)

Rhadebe (2018) further states that sports betting is on the rise for both bookmakers and totalisators. However, the bookmakers have grown by 58% between 2016 and 2018 as compared to the totalisators, which have only grown by 25%.

5.9.1.3 Gold Circle Specific Trends

The graph below illustrates the ticket sales for Gold Circle over the past three years. Horseracing ticket sales have seen a decline of 11% from 2016 to 2017 and a further 10% decline to 2018. Transactions on sports betting showed a decline of 15% between 2016 and 2017, largely due to the PSL not making their fixtures available during that year. The significant growth of 60% in 2018 must be tempered by the fact that the Hollywood API was responsible for 3.6 million of 5.5 million total transactions.

Hollywood API is when Hollywood bets take bets from the totalisator, which is Gold Circle.

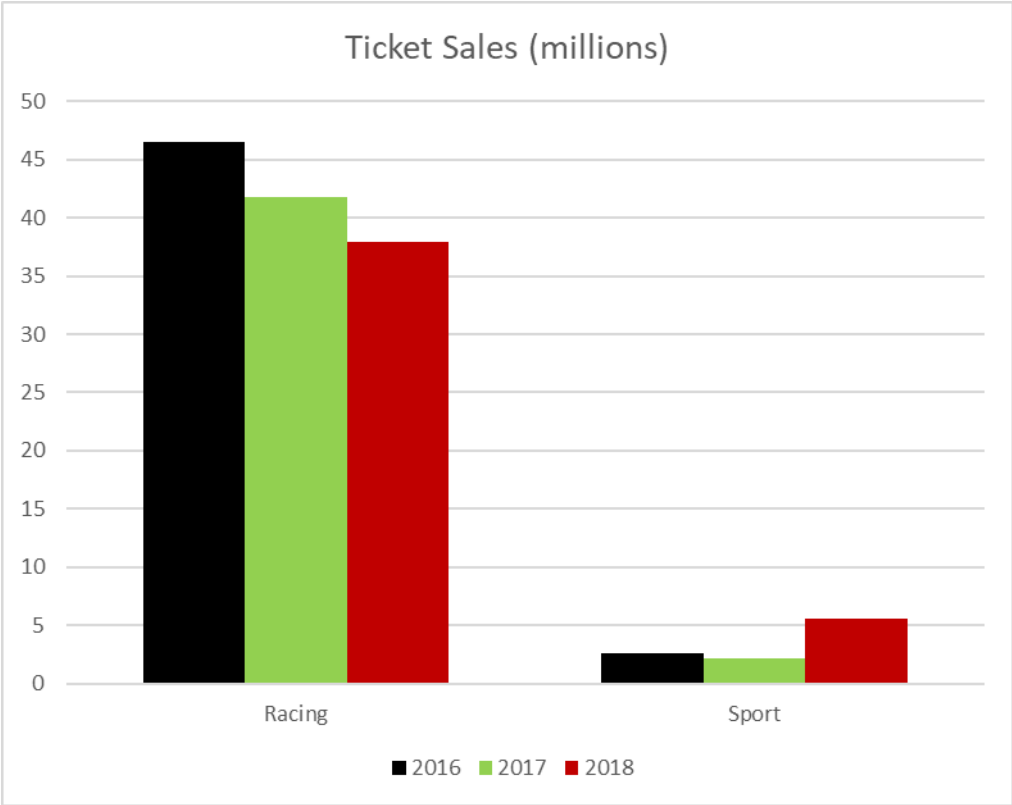


Figure 5.11 Ticket sales

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

Apart from Sports, which showed growth for 2018, all other bet types showed very similar decreases in turnover across the board; this has caused difficulties for the sport of Horse racing.

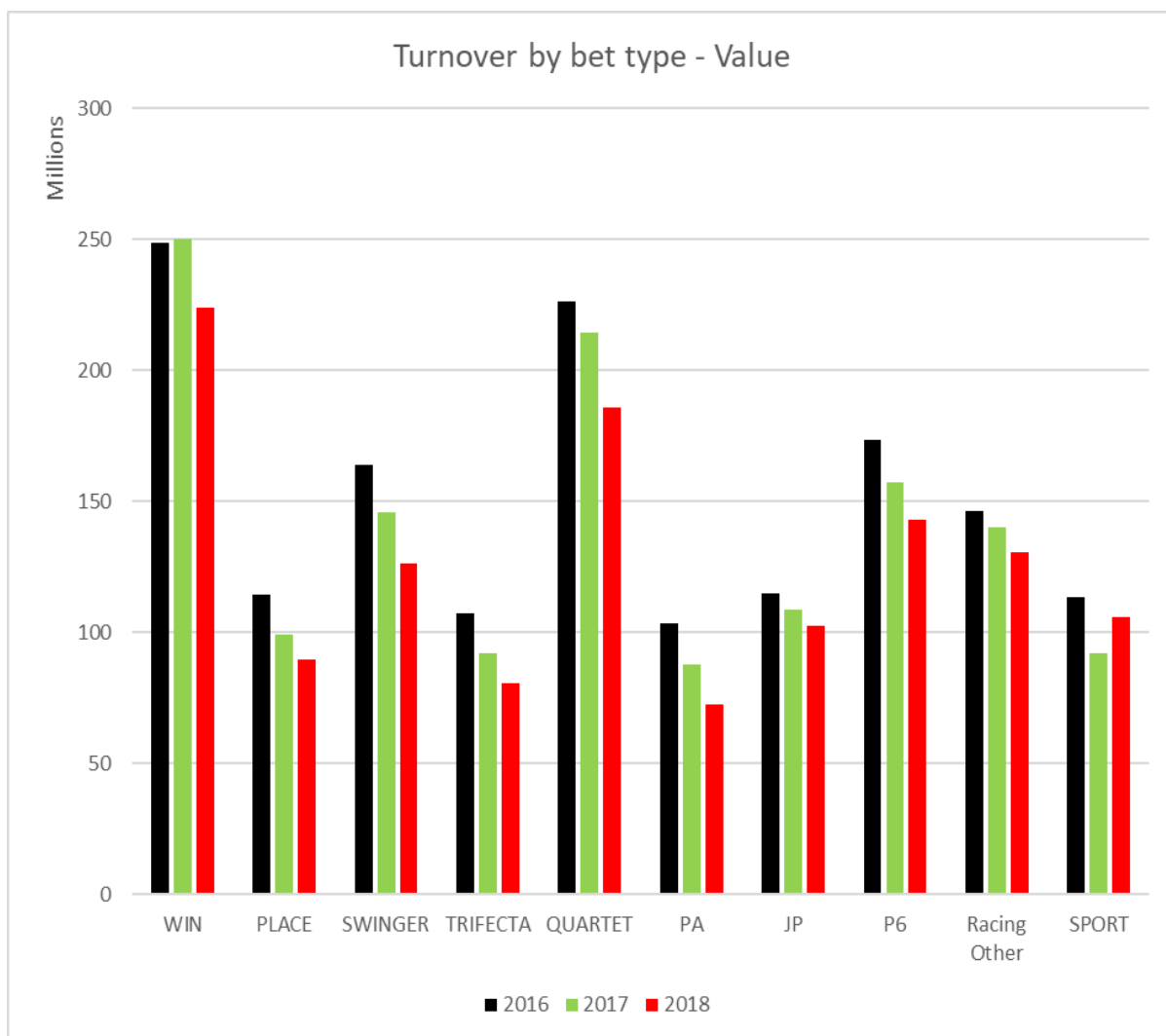


Figure 5.12 Turnover by bet type

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

As with the turnover, all horseracing bet types showed consistent decreases in transaction volumes. The significant increase in the quantity of sports transactions can be attributed to the Hollywood API which processed 3.6 million bets during 2018; due to the trend of the decline, in 2018 and 2019, Hollywood stopped processing these bets from Gold Circle, hence the industry is declining.

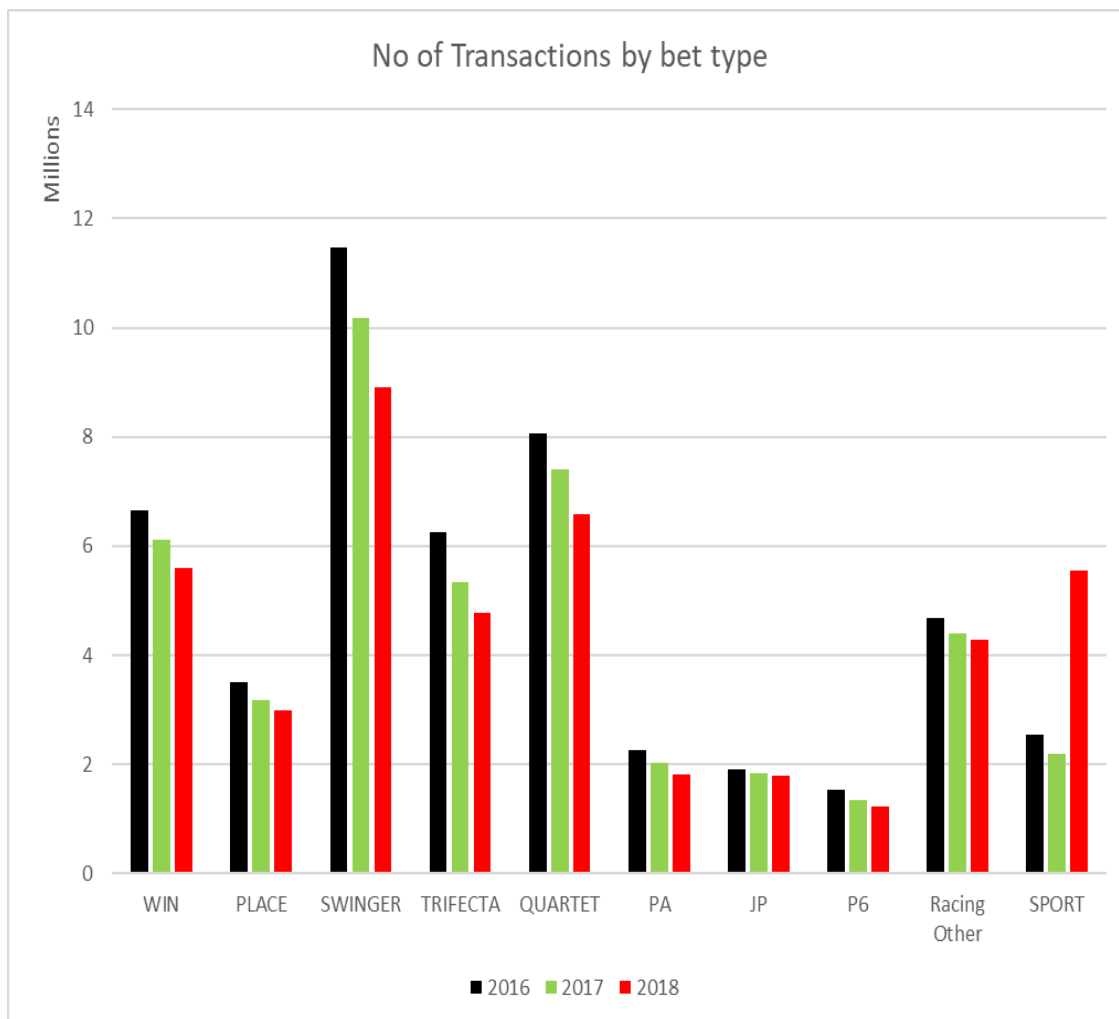


Figure 5.13 Number of transactions by bet type

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

Except for Place Accumulator and the Jackpot, the average bet values have remained consistent across all other products that Gold Circle and Phumelela Gaming place. The alarming decrease in the average Sports bet size is the result of the 3.6 million transactions via the Hollywood API, which are almost exclusively single-line tickets at the minimum bet value, which in most cases is either R2 (Soccer 10) or R6 (Soccer 6). On the contrary, punters place minimum bets of R5 and above in ALL bookmakers.

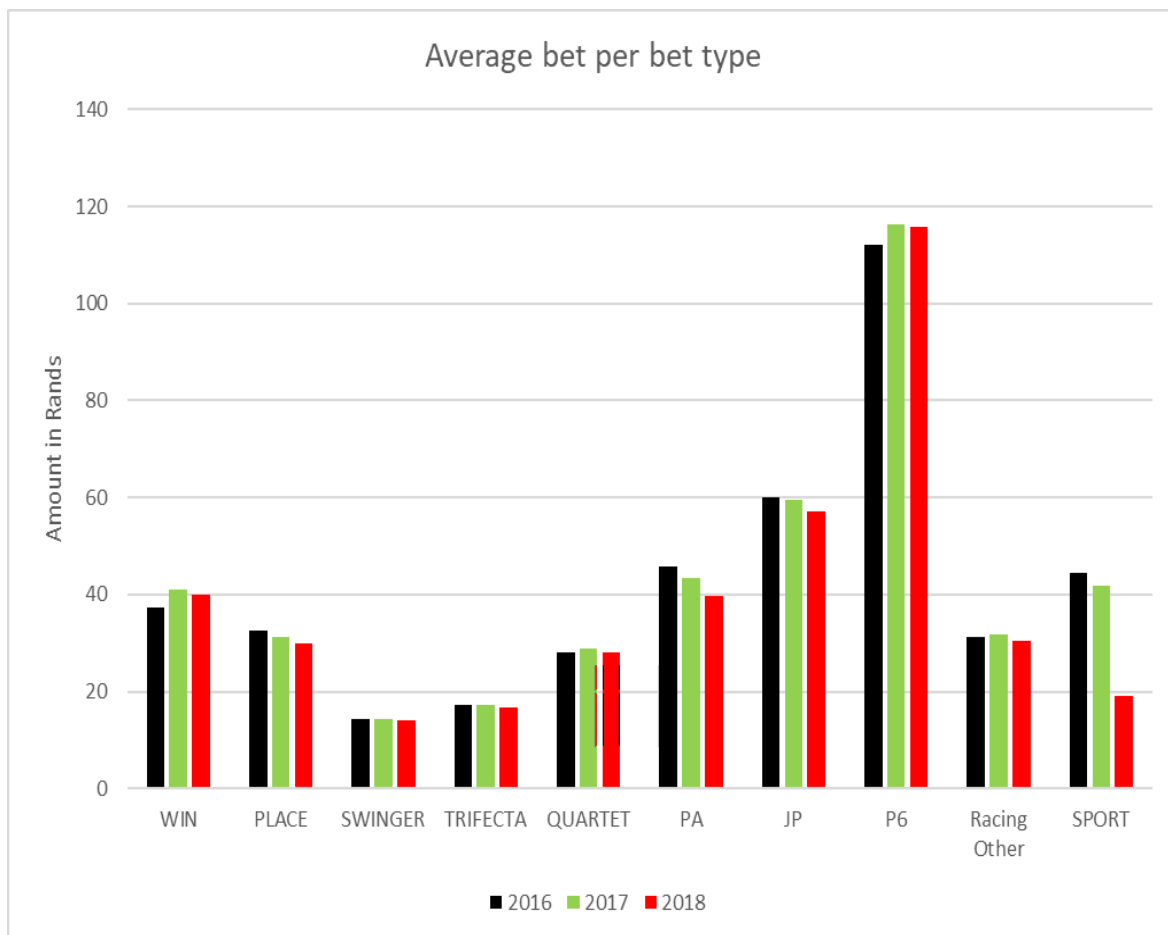


Figure 5.14 Average bet per bet type

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

The increase in contribution from Agents is to be expected and is a direct result of the strategy of Branch conversions that were accelerated in 2018. Whilst Internet betting has shown tremendous growth, driven mainly by the proliferation of smartphones and the resultant convenience, some of this has been at the expense of Telephone betting as customers migrated to the online option. However, the growth is not the same as compared to the previous years; the industry is still not doing well.

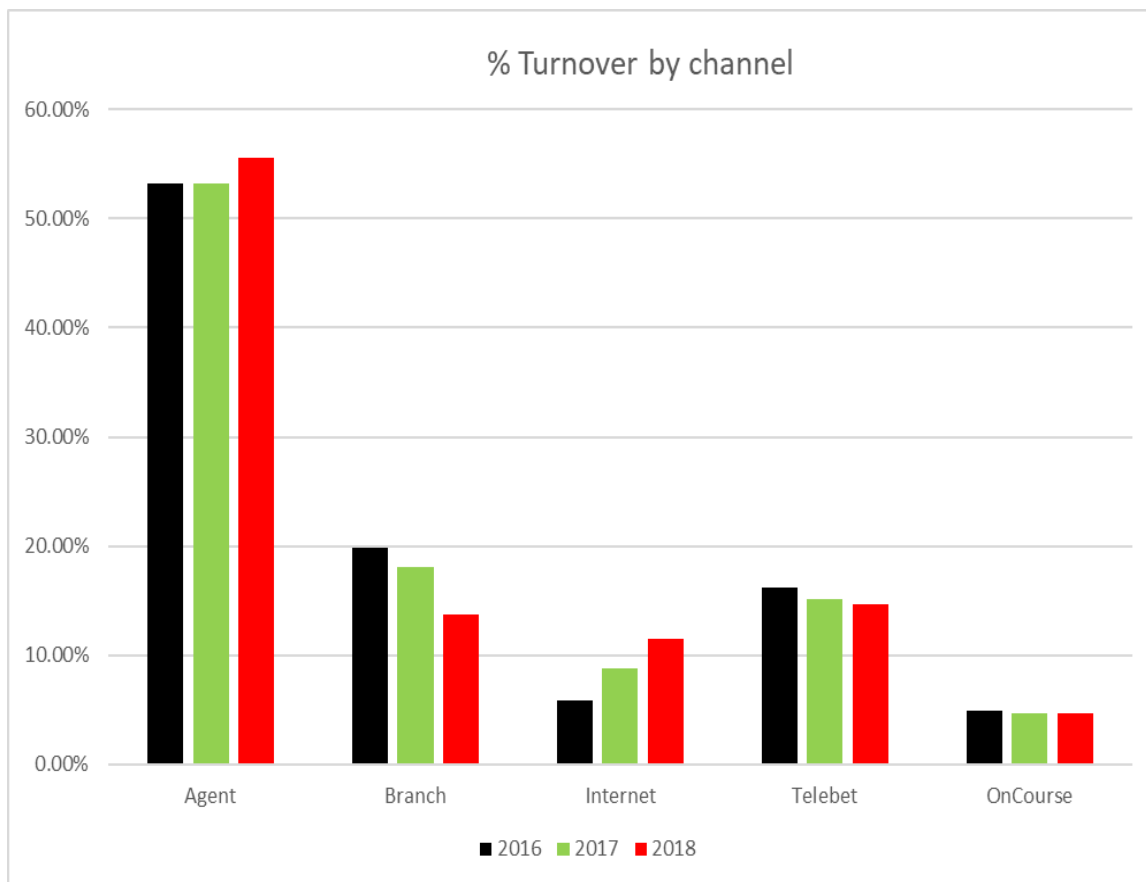


Figure 5.15 Turnover by geographic region

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

Except for interactive, all other physical geographic regions have shown decreases in turnover, indicating that the current situation is endemic throughout KZN. The biggest decrease has been experienced in the Durban (and surrounding) region, which lost R59 million (18%) in the 2018 year. Given that this area has the highest number of standalone bookmaker outlets offering sports exclusively and a number of options, it is conceivable that some of our customers have migrated to these stores and betting products. It is also concerning that our traditional “horseracing strong” areas like Chatsworth and Phoenix are showing steady declines year on year.

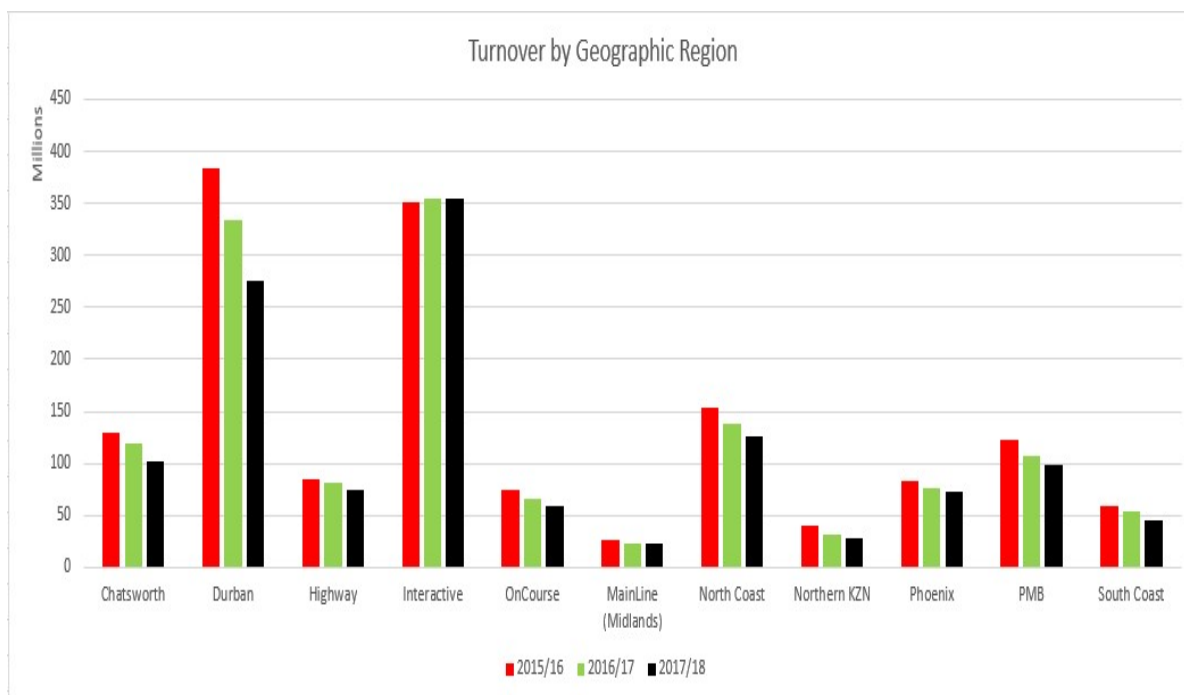


Figure 5.16 KZN Turnover as a percentage of all racing turnover

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

Figure 6.16 above illustrates KZN regions, and there has been a noticeable decrease in tote betting appetite for KZN meetings within KZN. Below is a graph that illustrates the last 3-year trend with the number of annual KZN meetings. Whilst other regions have seen consistency; there has been a loss in the KZN market.

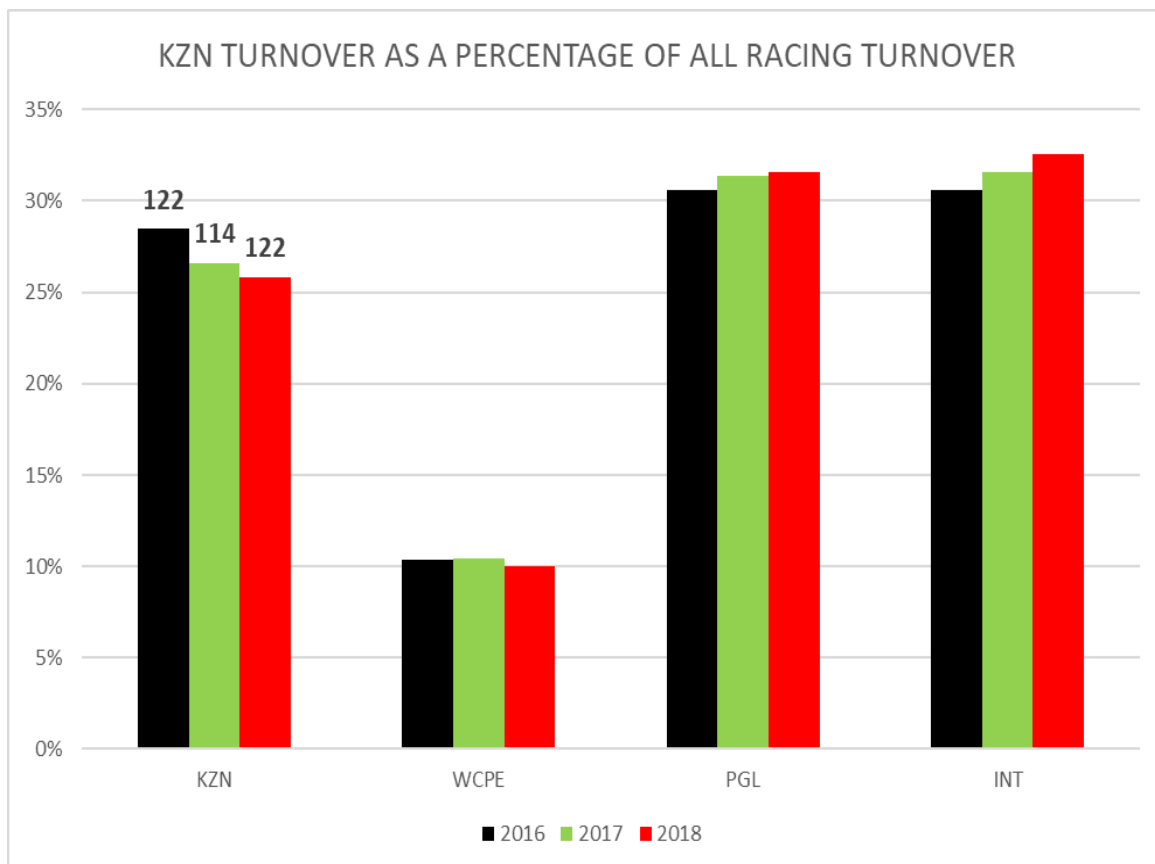


Figure 5.17 Turnover on Polytrack and Scottsville

(including the number of race meetings)

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

There has been a decrease in the tote betting appetite for the KZN race meeting. The above figure 6.17 illustrates the last 3-year trend with the number of annual KZN turnover racing meetings, whilst other regions have seen consistency, there has been a loss in the KZN market.

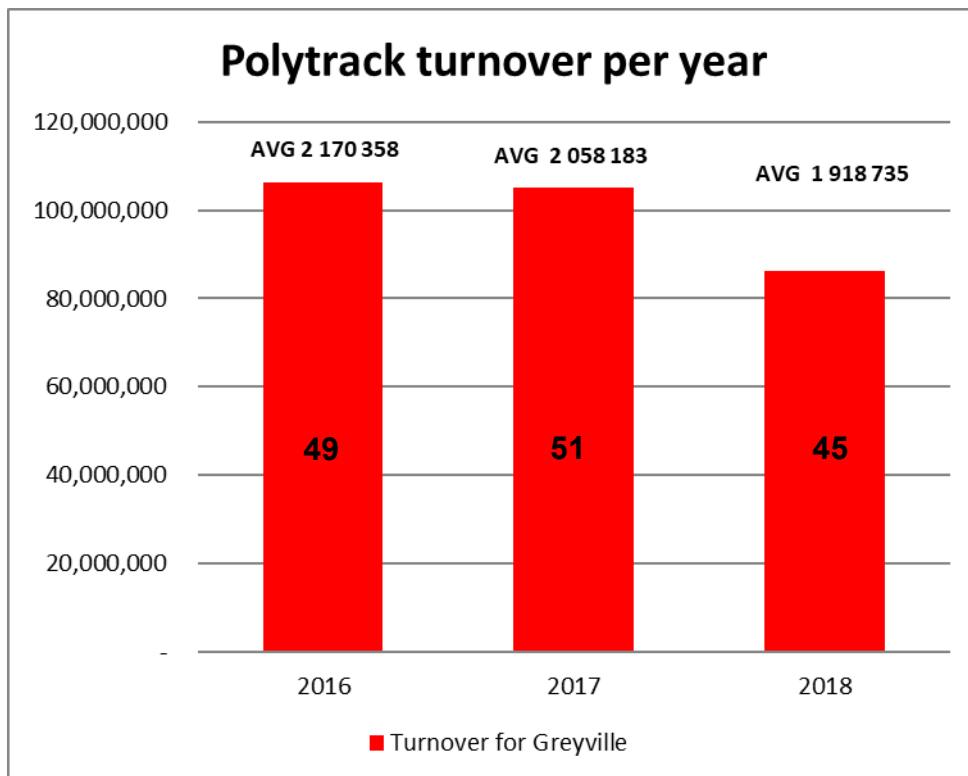


Figure 5.18 Polytrack turnover per year

Source: July Turnfees email 2016 to 2018

Rhadebe (2018)

Polytrack is a track where horses can run, even when the grass is wet. However, horses cannot run if it is heavily wet. The graph showing the turnover of Polytrack has shown a steady decrease of 18% in 2018 in turnover. Surprisingly, Scottsville has shown a far greater decrease of 24% in 2018, and the decrease continues. This is alarming for Gold Circle and Hollywood bets.

5.9.1.4 Gold Circle Specific Factors

5.9.1.4.1 Bookmakers

In August 2013, Tellytrack, led by then Phumelela's gaming, completely changed the basis of charging for the Tellytrack picture in betting outlets. Prior to this, the total costs of Tellytrack were divided equally by the number of betting shops in the country. The monthly cost at that time was approximately R 6 000 per outlet per month. This increased to R 16 500, escalating over three years to approximately R 33 000 per outlet per month. These changes divided opinion across all stakeholders and ultimately spawned a few court cases by bookmakers against the racing operators, Tellytrack, and even the Regulators. It became unofficially known as the War Against the Bookmakers, as very few paid the new fees, Moodie (2019).

Two significant developments arose out of the dispute. Because so few bookmakers paid and even some who did pay, paid into trust accounts, it meant a sharp decline in Tellytrack's revenues. The racing operators, in turn, faced increasing losses in the entity. To counter its losses, Tellytrack accepted sponsorship from a few "tote-friendly" bookmakers. While this certainly assisted their financial situation, it exposed the betting public to companies that they had not previously been aware of. They also, of course, offered fixed-odds betting on horse racing to a wider audience. This advertising was not exclusive to Tellytrack with *Computaform* and ABC websites, just two examples, the following suit. The result was significant exposure for companies like Betting World, *InterBet*, World Sports Betting, SportingBet, *GBets*, and many others where TabGold and Track and Ball did not have the funds to compete. Much of this advertising also targeted online betting, which is well known to attract more top-end or high-worth customers. Given the natural migration to online by high-worth customers, this will accelerate the losses that we would experience. The extent of the losses is difficult to quantify.

Besides bookmakers that are advertising on traditional racing platforms, advertising on national television, particularly SuperSport, is becoming more common and frequent, and Hollywood has certainly cornered the market with brand awareness and coverage.

There is no question that Gold Circle is losing customers and turnover because of FICA requirements for the opening and activation of online accounts. Many bookmaker operators do not follow the letter of the law in this regard, but we do. A single company paid a FICA fine of R 5m with a little qualm, whereas that would be catastrophic for

Gold Circle. Reliable Regulatory officials have informed the researcher that FICA is not happy with the monitoring performed by Provincial Regulators because they are not cracking down on those who transgress. To counter this, FICA has proposed taking over the monitoring function and not leaving it to the Provincial Regulators, Loker (2019).

Loker (2019) states that two areas that bookmakers exploit to attract new account holders are ones that Gold Circle could do but simply cannot afford. These are deposit and loyalty bonuses. Gold Circle is slowly developing a loyalty system for account holders and then all customers, but these have challenges that must be overcome. The cheapest betting channel is online, but the Telephone Betting Adjustment Agreement prevents Gold Circle from fully benefiting from this. Without trying to make excuses, the fact that Gold Circle has had to retrench staff during two bad operations periods does not allow the luxury of available human resources to always develop new solutions at the same time keeping normal operations fully functional.

Two new products, which are very closely aligned and exclusive to fixed-odds operators, have had a profound impact on the betting scene. These are lucky numbers and BetGames. Initially, bookmakers offered to bet on the outcomes of the National Lottery. While there is pending legislation that will impact this ability in the future, it is legal at present, Moodie (2019). This form of betting expanded quickly to include lotteries from foreign countries; however, it was always dependent on the frequency of the lottery draw. BetGames completely changed the scenario because it is a simulated draw activated by computer programs working on random number generators. Now draws are available every two or three minutes, and the draw variables are almost infinite. To put this into perspective, Track and Ball, which is not a significant generator of BetGames turnover, generated R 7,3m on BetGames and R 15,3m on horse racing in December 2018. For the entire financial year, 2017/2018, BetGames accounted for only R 20,16m. Horse racing was R 165,8m. There is no doubt that *BetGame's* share of the market will continue to expand rapidly. This has put too much pressure on the horse racing industry, causing a huge decline.

In summary, there is no doubt that tote turnover has been lost to bookmakers. However, this is true of the entire country, and yet Gold Circle has lost a greater share of the market. Of all the bookmaker/agents, only a single group, P, have shown reduced tote turnover higher than the average for all tote outlets and primarily at only

one of their outlets in Chatsworth. Many bookmakers/agents have performed better than the average (Loker, 2019).

5.9.1.4.2 LPM Revenue

Pillay (2019) states that when Limited Payout Machines (LPM's) were first licenced in 2005, it was believed that these would supplement totalisator turnover, and all tried to apply for machines. For ten-odd years, there has never been a discernible increase in LPM revenue at the expense of tote turnover. However, an analysis of the last two years points to a change in this pattern. Analysing ten branches with LPM's, it shows the overall Gross Gaming Revenue (GGR) for these has increased by R 1,1m (15.86%) during this time. While this certainly does not account for the total decline in the tote, this growth is at the expense of the tote. In only two of the branches GGR decreased. This pattern may reinforce the theory that new punters are turning away from tote betting because of the time it takes from placing a bet to receiving a pay-out. Other than fixed-odds betting on horse racing, no other betting system experiences this delay. Studies have shown that younger people want instant gratification far more than their predecessors did (Loker, 2019).

5.9.1.4.3 Hollywood Gateway (API)

For many years, a computer gateway has existed between the betting systems of Gold Circle and Hollywood. Loker (2019) further states that the gateway was developed to facilitate the taking of tote bets through a computer programme on Hollywood's system as opposed to taking the bets individually on a tote terminal. Phumelela has always been suspicious of the gateway even to the point of speculating that it was being used by discounters. Gold Circle has carried out feasibility studies on bets and commissions paid. While Hollywood has financially gained through winnings and commission earned, it is not a significant amount. Hollywood transactions are far less through the gateway recently, and this reduction has had a marked impact on Gold Circle's turnover decline; specifically, its decline in sports betting. Hollywood has requested a higher commission rate on the gateway, but their monthly turnover is lower than what *InterBet* generates for its incentive scheme. To grant the request, it will have to be agreed upon by Phumelela (Loker, 2019).

5.9.1.4.4 Phumelela impact

Moodie (2019) states that Phumelela's behaviour in two arenas has also impacted Gold Circle's tote turnover decline. The first is that since 2002, the management and liaison of our top account holders have been performed by Phumelela. This gave them access to dealing directly with the customers and allowed access to the account trends. Big spenders are hosted at horse racing events both locally and in Dubai regularly. A gentleman's agreement, which Gold Circle honoured until a few years back where the industry, started declining.

Table 5.3 below shows the decline from 2016 to 2018, the big spenders in the industry no longer bet like how they used to bet, these statistics are only for Gold Circle.

Table 5.3 Big Spenders between 2016 - 2018

	2016	2017	2018	2018 vs 2017	2018 vs 2016
R0-10	2 243 881	2 031 577	2 221 143	9.33%	-1.01%
R11-100	1 526 049	1 398 299	1 241 400	-11.22%	-18.65%
R101-500	143 535	131 923	116 763	-11.49%	-18.65%
R501-2000	14 260	13 946	12 318	-11.67%	-13.62%
R2001-5000	1 223	1 266	877	-30.73%	-28.29%
R5001+	334	189	117	-38.10%	-64.97%

Loker (2019)

5.9.1.4.5 Conversion of branches to agencies

There are reasons why it is cheaper to operate agencies instead of branches, but there is always a risk that turnover can be lost as a result. This is primarily due to demotivated and underpaid staff that does not have investment put into training and skills development. When Gold Circle has attempted to provide these, generally, agents are reluctant to allow staff the time to be trained, and the issue of payment to staff for training is always an issue to cut costs and save the industry it is important to consider these.

In addition, it was not possible to make an absolute comparison, as has been done with the overall decline due to the dates that the outlets were converted. But analysing

seven outlets converted since July 2016, the total decline in turnover is 15.55%, (Ferreira and Campher, 2015). Three are extremely bad by having turnover decline by 33.98%, 24.35%, and 22.83%. Only one has managed to grow its turnover since the conversion. These outlets alone account for R 10,1m in lost turnover in the analysis period (Ferreira and Campher, 2015).

5.9.1.4.6 Illegal Gambling

The lost revenue due to online gambling total R587m, with revenue lost to illegal land-based gambling standing at R678m (Moodie 2019). In 2016, the DTI was able to only recover R1.3m of forfeited winnings. Both the legal operators, as well as the gambling boards, would benefit if these illegal activities were outlawed. In KZN, commercial staff identified four illegal gaming outlets in the Kokstad area alone and reported the same to the KZNGBB. Mkhize (2020) added that the prosecution process is both lengthy and ineffective, and the KZNGBB is currently investigating 18 cases in KZN. This has created a huge decline in the horse racing industry. Illegal gambling continues to enlarge in KZN.

5.9.1.4.7 Cost Savings

One positive out of the downturn is that Gold Circle believes that it has forced the company to relook at expenses. While the lack of financial resources has impacted the ability to develop new products, it has necessitated a hard look at operations. As can be seen, tote turnover has been on the decline, which has reduced tote commission by R 59,5m since 2016, but there has been a corresponding saving of R 23,6m (17%) in operational expenses. In addition, the telephone betting adjustment has totalled R38.4m over this period, accounting for KZN-based customers no longer betting directly with Gold Circle but using other online channels to our financial benefit (Loker, 2019).

As illustrated below: -

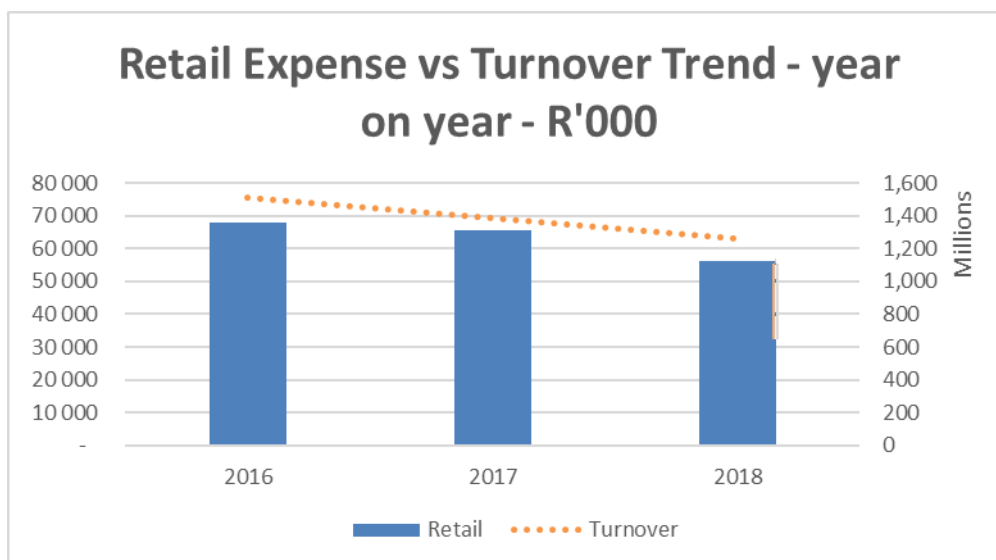


Figure 5.19 Retail expenses and total expenses V Turnover trend 2016 to 2018

Loker (2018)

5.9.1.4.8 Telly Track

Telly Track is a major internal challenge that affects the sport of horse racing in South Africa. It is the entity managed by Phumelela Gaming that holds and protects the racing operators' intellectual property rights to the racing picture and broadcasts the South African horse racing picture to South Africa, Namibia, and Zimbabwe (Lees 2020; Goodman 2018). The organisation also manages the importation of international horse racing as a betting product for the local market. Since 2013, the bookmaking fraternity has been in and out of court with Telly Track, requesting a revised pricing structure for Telly Track broadcast signal in their betting outlets. This has caused problems in the industry, meaning that it has been expensive for the horse racing industry to pay for Telly Track services.

Furthermore, Telly Track provides exceptional racing interviews, racing previews, racing results, live racing, perfect local and international picture of the racing industry daily that is on Channel 239. Without this channel, the industry would decline because customers will not be able to watch the racing. Telly Track has made it impossible for small bookmakers to afford the premium, and this is affecting the sustainability of the horse racing industry.

In this view, the more it gets expensive to pay for Telly Track, the harder it gets for bookmakers to sustainably run their businesses. Hence, bookmakers in South Africa are required, in terms of their licence conditions, to deduct 6% from the winnings of their punters and pay this as a levy to the gambling board in the province, where the bet was placed, as this is a provincial betting tax. Furthermore, in the province where racecourses are located, namely, the Eastern Cape, Free State, Gauteng, KwaZulu Natal, Northern Cape, and Western Cape, the gambling board pays half of the levy over the racing operator in the province concerned. In this view, it gets too expensive to run the bookmaking business, and this leads to the unsustainability of this industry.

5.9.1.4.9 The Totalisator

Moodie (2018) states in chapter three that a Totalisator is defined as a licensed tote operator that lays bets for customers and amounts staked on a race to facilitate the division of the total amongst those backing the winners. Due to the Bookmakers enlarging on Fixed odds, and more bookmakers purchasing licences and opening outlets in every corner, totalisator (Gold Circle and Phumelela gaming) net wagering income declined by 10.3% (Moodie 2018). The fixed odds have shown significant growth in the horse racing sport, from 2016 to 2018 has shown a 10% growth, while tote betting has reduced by 11%. This is affecting the GDP, as well as the stakeholders.

Gold Circle and Phumelela Gaming have performed worst, of the three national racing operators when it comes to reduced horse racing turnover. This is because bookmakers offer a wider range of betting options; as such, the totalisator has been drastically affected (Loker, 2018). In this view, Totalisator contributes to the funding of the horse racing sport's gross margin, and all the levy contributions are like those of operators in the United Kingdom and other countries. This is to ensure that the horse racing sport remains sustainable for generations, so the CEOs of these businesses concur with the literature.

Yengwa (2018) indicates that the bet types for totalisator are "Win, Place, Swinger, Trifecta, and Jackpot" and each bet type has a separate pool. A race runs, and right after the race, the dividends are declared, and the deductions take place, accordingly. This means that the more patrons take bets, the more the pool gets bigger and the more the operator generates revenue. If punters (customers/ patrons) do not take bets,

the operator makes a loss. In this view, the horse racing industry is competitive; as a result, the punters follow a greater pool because of a greater return; if the pool is not greater, then punters do not bet on that pool. Nireck (2019) states that Phumelela Gaming and Gold Circle are facing challenges such as the large amount that the industry is being taxed and the increase of operating licences. This is causing unsustainability in the horse racing industry. Hence, the study seeks to investigate sustainability in the horse racing industry.

5.9.1.4.10 Bookmaking

According to Maree (2018), Bookmaking means a company that directly or indirectly lays fixed odds bets or opens bets with members of the public or other bookmakers or takes such bets with other bookmakers or with the holder of a totalisator licence. Maree (2018) added that Gold Circle opened a subsidiary company called Track and Ball, which is currently trading with twelve licences, each licence cost R4 million. The reason for starting to operate bookmaking is because the totalisator turnover was drastically declining by 10.3% yearly. Phumelela Gaming, therefore, purchased 50% of the betting world and 50% of SuperBet which are bookmaking companies. The reason for this is the sport of horse racing is declining and not sustainable. Hollywood Bet is also a bookmaker that has been trading and started diversifying because of the unsustainability of the sport of horse racing.

According to Loker (2019), Totalisator turnover has dropped; in addition, in an environment where it is very difficult to qualify the figures, there are speculations that there has been significant growth in bookmaking, which means that this growth will come at the expense of tote operators. There is a disadvantage, as well, that bookmakers have, that they do not incur the cost of producing horse racing events. They simply offer to bet on them. Generally, this gives the bookmakers greater profit, and large amounts of this have been spent on marketing and customer initiatives.

Neiuwenhuizen (2015) states that there is a gap between bookmakers and totalisators. In this view, operationally, it is expensive to run a bookmaking business, although it is easy for the customers to lay bets. In addition, there are a lot of requirements such as procurement policies, the required skills, the socio-economic development and many more, these requirements are expensive for a bookmaker who wishes to generate

profit in the business, and this makes it hard for bookmakers to be sustainable. Bookmakers further carry a risk of having to ensure that they balance all wagering transactions and must effectively ensure that all books balance even though tax needs to be paid. The gambling board audit the bookmakers regularly to protect the honesty and integrity of the industry and public confidence in its legitimacy as well as fair play towards the public.

5.9.1.4.11 Marketing

Gold Circle has the most spectacular horse racing event called the Vodacom Durban July, which takes place every year on the first week of July and attracts tourists from all over the world to Durban (Pillay 2017). For many years, this event has been fruitful for the horse racing sport. However, with the event and hospitality coming into the picture and the failure of regeneration in the horse racing sport, Gold Circle does not make enough turnover, even with the sponsorships of Vodacom, Gold Cup, and the list goes on, the turnover is still declining.

Moodie (2018) indicates that Phumelela Gaming hosts a horse racing event, Summer Cup, which takes place every year on the last week of November, and Sun Met which is held in Cape Town in January every year. These events are marketing tools to gain sponsors and create vibrancy in the horse racing sport. The Department of Trade and Industry has joined the horse racing industry through hospitality. Hence, all the horse racing events are now sponsored by all different types of liquor brands, and this enables a larger reach of different people coming to all these events. Thus, through such marketing and branding, a large amount of money is paid to the operators.

Advertising and marketing of horse racing are done in accordance with national and provincial regulations to ensure that people are protected from misleading advertising. There is a lot of competition in this industry; hence lottery can open anywhere, and at any time if the marketing strategy is appropriate. Illegal gambling has a major impact online, as illegal gambling has major advertising and marketing over the internet, and it is difficult for the gambling board to control. This creates a major crisis in the horse racing industry and is further causing a decline in the horse racing industry.

5.9.1.4.12 Communication

Years ago, punters would use race cards which guide them about racing. In contemporary times, the horse racing sports industry has migrated to the internet as an information base, punters/ customers can now bet through their smartphones (cell phone betting App), Telephone betting and tellers that are called C8 machines (Moodie 2019). Communication with all the stakeholders, the national and local government departments is important in the horse racing sport.

The horse racing sport is challenged by various communication challenges that are affecting the industry. There is a huge breakdown in communication between the gambling board and the operators. This is mainly because the gambling board does not understand the industry and is influenced by politics. In the horse racing industry, there must be communication between the National gambling board and the operators, there should be communication between the operators and the stakeholders, and there should be communication between the operators as well as the media.

Furthermore, there is another communication breakdown between Telly Track and the bookmakers. This communication breakdown has been going on for years of and bookmakers do not understand why the subscription fee is high, this is affecting the industry. There is also a breakdown of communication between the totalisator and the bookmakers. Their difference in betting offerings is affecting the industry, particularly the totalisator.

The national gambling board also has a communication breakdown with the horse racing sports industry, protecting the public against the adverse effect of gambling, limiting control and monitoring the possible spread of gambling and illegal gambling and the impact of misleading advertising. It is important that communication across the board is effective and follows the regulations (Loker, 2018).

5.9.2 External Factors

Ryman et al. (2015: 377) noted that external factors are the outside influence that can impact a business. These factors are important in a business because these factors can influence the capability of the business to accomplish its strategic goals and objectives. The following external factors are discussed.

5.9.2.1 Gambling regulation

According to Mpahlwa (2004: 14), there are a lot of regulations in the gambling industry such as excluded persons, the people who are prohibited from gambling, the advertisements, and anything that any gambling entity advertises needs to have an age restriction, which is 18 years and above. The gambling industry may not advertise any media primarily directed at a person under the age of eighteen years. In the government gazette, any advert that is being advertised needs to be licenced or licensed premises. All gambling premises must be licensed; all employees working in gambling machines must be licensed. Some regulations clearly state that all gambling premises must have a monitoring system such as cameras, security, and alarm response. Licences cost money, for example.

Table 5.4 License application and renewal fees

LICENCE APPLICATION AND RENEWAL FEES		
Licence Type	New licence application fee	Annual renewal fee
Employment licence	R 6 000.00	R 8 000.00
Manufacturer licence	R 30 000.00	R 120 000.00
Testing agent licence	R 150 000.00	R 100.00

Source: - National gambling regulations

Mpahlwa (2019:15)

Gambling regulations is the key challenge that is associated with the sustainability of the South African horse racing industry to all the business in the industry; it is expensive just to be compliant. Moodie (2018) indicates that the regulations alone make it difficult to run a sustainable business. The horse racing industry is being affected because every year, these licences need to be renewed, and every year the cost of these licences increases regardless of how the trade of the industry is performing. Bookmakers and the totalisators paying such large amounts to renew licence fees affect financial sustainability The Government taxes the horse racing sport

3% on all winnings. This makes the horse racing operators, namely Gold Circle and Phumelela Gaming, to be unsustainable and very expensive to maintain; hence the revenue is declining for both these organisations.

5.9.2.2 Economy

KZN gambling board (2016) noted that economic growth is seen as the fundamental driver of social and human development, and the horse racing industry contributes significantly to the economy of South Africa. The horse racing sport contributes to Gross Domestic product (GDP), employment, and tax. GDP is one of the primary indicators used to determine the state of a country's economy by measuring the national income and output in each period. GDP is calculated by measuring the monetary value of all final goods and services produced by the county and include the sum of value added at each intermediate stage of production.

The horse racing sport contributed R2.71bn to GDP in South Africa (SA) in 2009, and R173million in 2014. Furthermore, the sport of horse racing contributed R1.4 billion in 2014, just in KZN. Swing (2016) states that though the horse racing sport is declining, over 12537 have jobs in the industry and over 70 207 million in SA have direct and indirect jobs, this includes breeders, trainers, grooms, work riders, jockeys, apprentice jockeys, jockey agents, and racing operators (Phumelela gaming and Gold Circle and all bookmakers, NHA, SA jockey academy and more).

Scholtz (2016) further states that over R194 million is contributed by the horse racing sport to the provincial government, and over R500 million a year is contributed to the national government in the form of direct and indirect tax. Nairac (2018) states that there is a group of South African businesspeople who are very wealthy. Annually these people go to Gold Circle and request to purchase a good breed horse. They then purchase that horse and employ a trainer and a jokey, also a groom to look after the horse. In this way, the economy is regenerated. However, year after year, the horse racing sport still declines. Loker (2019) further states that Gold Circle's major economic factors that are affecting the decline of totalisator from 2010 till the present are the

unemployment rate in South Africa. The change in customer behaviour is because of VAT (Value Added TAX), fuel increases, and customer debt.

5.9.2.3 Skills Development

Innovation is changing the industry, technology changes every single day, and skills are required to sustain the industry of sport and racing. Skills development is required in the horse racing industry, firstly the jockeys get trained for years in the training academy, the weight of the jockey needs to be 54kg so that a jockey can control a horse that is moving at 64 km/h and weighs 540kg (Moodie 2018). Riding a horse is a required skill in the horse racing industry, and therefore jockeys undergo extensive training in the South African Jockey Academy. This is beneficial to the horse owners and all the other stakeholders in the industry because a good riding jockey presents good results. Furthermore, all horses that a breed have employees called grooms. These are people who look after the horse daily, they are required to undergo horsemanship. This develops employees to learn about horses from foaling, stud work, or track work. All these are skills that are required to grow the horse racing industry. In an event where grooms are not trained well, then the horse racing industry will collapse.

5.9.2.4 Enterprise Development

Yengwa (2017) notes in chapter two that the horse racing sport is challenged by enterprise development in three aspects. These are the South African jockey academy, assistant trainer development, and Totalisator agencies. The academy is the only educational institution in the country that provides training towards becoming a professional jockey. Training is provided over a five-year education. Gold Circle, Phumelela Gaming and Hollywood Bets are the major financial contributors to this institution. Without these development programs, the horse racing industry will collapse.

Assistant trainer development is a structured and formalised program that assists all individuals who would like to be horse racing trainers and attain a training licence. Without proper training, the industry will collapse. That is why enterprise development is vital in horse racing sport. Totalisator Agencies are financial subsidies where

bookmakers and totalisators permit their licences to be owned by individuals who wish to be agencies and run the business.

Stuart (2018) states that Phumelela supports three enterprise development projects, and the projects are meant to support the black empowered companies. Through Broad-Based Black Economic Empowerment (BBBEE), the horse racing organisation must support the local community, regardless of the turnover, which is declining.

5.9.2.5 Potential new gambling market

According to Scholtz (2016), since 2009, there has been a drastic change in the gambling market, Ithuba introduced the lotto, and it was nationalised. Furthermore, Ithuba introduced sport stake, sport 10, sport 11, sport 12, and Sport 13; this changed as most gamblers started diversifying cash in more betting orientation. Illegal gambling became major, whereby people can sit in a computer shop and log on to a system that enables people to bet on any gaming activity. Bookmakers started opening outlets everywhere, bringing the business to the people and offering a variety of betting options, meaning that punters can bet on anything, such as soccer, cricket, rugby, tennis, volleyball, and many more. The market has diversified, which has resulted in many challenges that are associated with the sustainability of South African horse racing, as listed above.

5.9.2.6 Weather conditions

Scholtz (2016) states that some races take place on grass, whereas direct racing is run on a tougher surface typically made up of dirt and over the top of clay and gravel. If there has been too little rain, the turf becomes hard, meaning there is less give under the horses than usual, as the horses run through these conditions every step is increasingly harder underfoot, in such circumstances, the hardened turf replicates the conditions of a dirt course and the horses accustomed to regular turf often struggle, therefore. If the rain has been falling consistently, the turf course is soft or yielding, meaning that the horses will sink deeper into the track than usual. Therefore, the horse requires much more energy to run fast, and endurance becomes a bigger factor than the speed of the horse. Essentially, these conditions make it hard for explosive speed

horses to fully meet their full potential; this becomes a challenge in the sport of horse racing.



Horses cannot race when it is raining.

Furthermore, it has gotten difficult for horses to run on the Polytrack when it is raining. This causes an effect on the industry.

5.10 Chapter Summary

Using the relevant themes, the chapter concluded by analysing the data acquired from interviews with various gaming and betting sector stakeholders and highlighting any parallels or discrepancies with the literature. Achieving genuine reform in the gaming and betting business of South Africa necessitates careful consideration of an integrated approach. To guarantee that the intended vision, objectives, and implementation strategies create meaningful, transparent, and responsible transformation within the sector, it is vital that key stakeholders engage in good faith collaboration and thoughtful deliberation.

6 CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

Ultimately, it is important to acknowledge that this research endeavoured to consider the evaluation of the sustainability of the gambling industry in South Africa. This study was organised into six main sections, with a final chapter that considers the conclusions drawn from the literature review and the in-depth interviews with the participants. Reiterating the goals that served as the study's guidance is vital before drawing conclusions. This chapter will address each of these separately.

6.2 Research objectives

- To investigate the historical evolution of South Africa's horse racing sector
- To assess the chances of the South African gambling sector's survival and stability
- To investigate how the gambling business contributes to the health of the South African economy
- To offer potential solutions for preserving the South African gambling sector

6.2.1 Addressing the first research objective

The first objective for this study was to examine investigate the historical evolution of South Africa's horse racing sector

i. Primary findings

Gambling industry have developed as a result of the rapidly evolving state of technical innovation, particularly in the area of information and communication technology (ICT). However, people's support and their commitment infuse into the gaming industry is essential to the business viability.

ii. Secondary findings

The impact of technology on daily life is immense. Modern living in the opinion of (Boss and Zajic 2019) is easier and more connected than ever because to the advantages of mobility, accessibility, and smart technology. With each new advancement in software and hardware, work and play are continually redefined. From the oldest dice games of antiquity to the modern online casino games, technology has been extremely important in changing the gambling landscape. High security,

instantaneous mobile access, and electronic transactions are just a few of the modern benefits of online gambling technology that make casino entertainment more inclusive and immersive than it has ever been, but their creation was not without its challenges. In addition to missed productivity and time, workplace gambling can lead to theft, fraud, and embezzlement (Lucchini and Comi 2022).

6.2.2 Addressing the the second research objective

The second research objective aimed to assess the chances of the South African gambling sector's survival and stability

i. Primary findings

The network and operational capabilities of organisations are being restricted by elements including financial mismanagement, incapacity to promote the enterprise, and corruption. All the participants felt that because people are always looking for easy money, illicit gambling was bad for business.

ii. Secondary findings

According to Ezeh (2023), corruption is undoubtedly widespread in the globe and has also taken the world of entertainment. The dangers to an organization's finances and reputation are significant and can include not just potential losses from unethical activities but also potential expenses for any necessary legal investigations into the incidents (Ezeh 2023).

6.2.3 Addressing the the third research objective

The third objective of the study was tested to investigate how the gambling business contributes to the health of the South African economy.

i. Primary findings

The industry's declining revenues from its various business outlays represent dwindling fortunes and a challenge to survival because people who are in financial hardship tend to avoid gambling, and the industry depends on public support to stay afloat. This suggests that the nation's harsh economic realities are having an effect on people's ability to afford to gamble, which exacerbates the industry's declining fortunes in terms of profits and lowers tax revenue for the national economy.

ii. Secondary findings

Mazambani and Mutambara (2020) assert that South Africa is the only developing country in the world with reliable data on gaming behaviour. Even at that, there is a clear correlation between an individual's income and their level of gambling participation regardless of the kind of gaming they partake in. According to Naudé and Cameron (2021), people with lower incomes have fewer chances of participating in gambling than those with greater incomes. It is a worrying trend that unofficial, or illegal, gambling is becoming more and more popular in South Africa. One of the gambling industry's most important contributions to South Africa's economic development is the creation of outstanding jobs in the service sector (Rogerson and Rogerson 2023).

6.2.4 Addressing the fourth research objective

The fourth objective of the study addresses how to offer potential solutions for preserving the South African gambling sector.

i. Primary findings

According to the findings of a study on the South African gambling industry, a strategic marketing plan is required to adapt to the industry's dominant market dynamics. This is due to the fact that creative methods to draw in new players required more potent marketing techniques.

ii. Secondary findings

According to Novuka (2019), marketing comprises several institutions and activities that create, communicate, deliver, and exchange offerings that are valuable to customers, clients, partners, and society as a whole. In order to maintain their competitive and comparative advantages and boost sales, businesses need to engage in aggressive marketing.

6.2.5 Implications to Gold Circle, Phumelela Gaming, and Hollywoodbets

The organisations of horse racing sports should continue to engage with all the stakeholders to ensure the interests of horse racing sports remains a priority, and there is the long-term sustainability of the business; hence, the literature review highlighted

that there is limited communication amongst the bookmakers and the totalisator. There is an urgent need to deal with illegal gambling. There is a greater need for organisations to communicate and meet regularly to discuss the government regulations that are affecting the horse racing industry, forming one body will permit the government to have one person whom they can contact instead of making assumptions that affect the horse racing industry.

Stakeholder engagement processes need to be aligned amongst all these organisations from the operational level, the racing operation divisions, owners, trainers, breeders, jockeys, grooms, and all bookmakers so that the industry has one voice. There is a further great need for an industry committee to be formed, a committee that will meet quarterly to discuss racing and other industry-related matters such as the health and safety of the grooms, jockeys, and horses to ensure the regularity is maintained and avoid all the misunderstanding within the industry.

6.2.6 Implications to the Economy

Howkins (2010) added that due to the bad South African economy, the stakes of the horse racing industry have declined; the reduction of stakes affects all stakeholders, particularly the punters who bet every day. The reason for the stake reduction is because the tote revenue has declined, and for the following reasons, punters are no longer punting like they used to, and there is no regeneration in the industry due to the pressure that the government is putting on the industry, the excessive tax, and fees renewal costs make it difficult for the industry to survive. The amount allocated for stakes in the first five months of every year is estimated on the amount likely to be generated by the prize money formula in previous seasons, these figures are finalised and audited, and all operators agree that the effect on the economy would cause a further reduction after tax and that affects the stakeholders.

6.2.7 Implication to the Industry

Powell (2018) states that the sport of horse racing has been impacted by many reasons, such as the continuous rise of unemployment, which is the most devastating impact on people's lives. Loss of income causes damage to people's life's because they do not have the amount of money they normally have to spend. The participants concur with this statement as the punters state that they do not bet as often because they no longer have the amount of money, they would normally have to take their bets

and this does not only affect the gambling industry only but local communities are damaged since a lot of people are unemployed and have got no income.

Liebman (2010) added that the implications of the decline of horse racing did not only affect the industry only, however, but the gambling sector, starting from stakeholders and this also started when the lottery was regulated, as well as the slots, casinos, and the regulation of bookmakers, before all these forms of gambling, were introduced, the racing had a nearly total monopoly on gambling. The decline in the sport of horse racing has indeed affected the industry.

In addition, factors such as: -

- The gambling taxation
- Training programs
- Gambling board costs
- Government legislation
- Forced transformation

These factors continue to affect the horse racing industry; as such, horse racing continues to decline year on year.

6.2.8 Implication to the Environment

Authors such as Pillay (2019) cited that the environment of horse racing alone faces a lot of challenges, such as racing horses that need to be taken care of and monitored and trained daily, and factors such as hippodrome track. Howkins (2019) added that each racehorse from the time the horse starts racing must have a Vat, as this is part of the regulations for the racing horse to ensure that the horse is well maintained and in good health. In addition, the relationship between land use and all associated activities and the natural environment or ecological systems is complex and continues to change. The natural environment provides the basic elements that human beings need to survive, such as food, water, and shelter; thus, it is the same as the racing horses hence the findings clarify that these elements are implications for the environment of horse racing sport.

NPC (2015) added that the horse racing sport has indeed been declining; hence, the South African economy remains largely dependent on the extraction of natural resources, availability, and their efficient use which put pressure on horse owners and

trainers to ensure sustainable development of the studs remains a priority.

6.2.9 Implication to Society

Fubbs (2013) states that the horse racing industry is financially declining, and this is making it difficult to attract new owners and trainers to invest, and without funding, society will not benefit from the industry as it is supposed to. The current gambling taxation regime resulted in horse racing accounting for about 7.2% of all gambling turnover yet paying 13.3% of the tax, which causes challenges to the industry. The industry attracts more grooms because there is a greater need for the grooms, this creates job opportunities.

The NHA offered career training, leadership, work rider programmes syndicates, and contributions to try and improve the society of the horse racing sport to ensure that all betting operators benefit from the integrity of the sport. Despite the government calling upon the horse racing operators to ensure that transformation remains a priority, there is still greater work that needs to be done behind the change and adaptation to the industry. Moodley (2018) added that the sport of horse racing still exists because the horse owners are willing to lose R580 million per year; however, it is difficult to see how these losses could attract new entrants of owners, such remains factors that affect the horse racing sport in South Africa and the participants above agreed that this is indeed an implication to the society.

6.2.10 Implication to the Customers/ Punters

Ripsam and Bouquet (2016) state that the growth of technology has changed the punters' focus, as such punters can take bets online, casinos, lottery and watch the races on DSTV channel 239, and fewer punters still attend racecourses because nowadays punters can take their bets in the comfort of their home. Due to technological breakthroughs that are now common in this industry, punters are to expect big changes to be a regular occurrence. Participants above state that customers appreciate companies that can adapt to innovation.

In addition, business leaders know that it is critical to know what customers need; hence, this is the most important principle of developing a great customer strategy. Participants concurred with the company's CEO's feedback in that the customers are the top priority, although there is room for improvement, and every successful company has a strong value proposition that distinguishes it from rivals. Though all

operators offer different services to sports and racing customers, there is still a huge effect on customers who now have a variety of products to choose from.

6.3 Recommendations

In light of the conclusions drawn from the literature review and interview, the following changes are recommended to enhance and facilitate the perfect execution of the transformation policies.

- i. There is must be an Improved training opportunities for those in charge of implementing and enforcing laws and regulations must be made available to officials, as evidenced by the gaps in the betting industry found in the literature review and interview results. This has been achieved through institutional arrangements that are focused and ongoing policy monitoring. Improvements in incentives for more participation in monitoring the law's execution as well as skill development for officials are also necessary.
- ii. According to the results of the literature analysis and interview, new laws are required to encourage the gaming and betting industries' participation. The industry's ownership limitations may be capped, and owners may receive legislative support, as two possible ways to achieve this. The stringent application of gaming laws in South Africa would be necessary for this to become a reality. So, to handle the strict application of the Gaming Acts and other Acts, an independent board can be established. For the sake of the gambling viability, it is therefore advised that the NHA assume control and funding of the Equine Research Council. It should oversee the import and export operations for South Africa and offer a forum for discussion on issues pertaining to the industry's significance to the country.
- iii. Horse racing has changed, and owners, trainers, and participants must acknowledge this and act together. Innovation and regulations are two examples of developments that require adaptation. It is imperative for all operators to persist in optimising their earnings via sales of overseas feeds and accepting wagers from other bookmakers. The task before of the National Gambling Board is immense. Therefore, it is advised that the national gambling board strengthen the laws, hold players accountable, and impose tougher penalties on them in order to ensure that there is no unlawful gambling in South Africa. Regulators should make sure that the gambling and betting board gets in touch with the current bookmakers prior to issuing new licences.

iv. It is imperative that the gaming board promptly address the long-standing grievances of the bookmakers over the board's slow response time to their letters and application processing. The small amount of money that South Africans must share everywhere should be guaranteed by a limited number of pay-out machines in every slot machine. Since online gaming and innovation are the foundation of casinos' business, they must be simplified, controlled, and allowed to operate with limited internet betting in order to prevent illegal gaming. Where intellectual property rights are involved in sports and racing, the gaming board must make sure that they acknowledge all parties involved and that those rights are honoured. A constant balance should be struck between the potential value that new forms of gambling could bring to the nation's economy and the value and contribution that already exists from existing forms of gambling. The gambling industry contributes significantly to the nation's economy in terms of taxes paid and jobs created.

v. To effectively promote betting, the sector must adopt new ways that include technology and digital growth into its marketing tactics. Utilising social media builds a solid foundation for communication.

6.4 Suggestions for further research

Future research must focus on the study's shortcomings and weaknesses, as previously mentioned. Therefore, research on horse racing, internet casinos, and the effects of ineffectual laws on these two sectors of the gambling business are necessary for future studies. Legislation and regulations pertaining to internet casinos and horse racing operations require a great deal of research. It will also be necessary to investigate the loopholes in the regulations in the future. Research should focus on comparative analysis of laws and policies that have been used to outlaw gambling in other nations. A thorough investigation of the socioeconomic constraints in their society is necessary. An examination of this kind would provide a more comprehensive understanding of the gaming sector and the difficulties associated with enacting transformational policies.

6.5 Conclusion

It is important to highlight, finally, that the study made an effort to look into ways that the South African gaming industry could be able to carry on despite reduced earnings. The study is organised into six main chapters, with a final chapter that summarises the findings from the in-depth interviews with respondents and the insights gleaned from the literature review. In summary, the results of the literature study and the interview indicate that in order to encourage greater economic development, transformation strategies must address the issues raised by the inclusion of the gaming industry in search of better prospects. Based on an evaluation of the data collected from the various literature sources examined and the information obtained from the respondents' viewpoints, it can be inferred that organisational frameworks and regulations are required to address industry self-regulation, particularly in the horse racing sector where policy regulations are scarce.

The results of the interview have also demonstrated that the main obstacle to the legislation's execution. Various officials have evaluated the industry's political climate and found that empowering those who have previously been marginalised can improve income generation. Furthermore, the monopoly in the sector that also raises questions about inequality in the socioeconomic sector is linked to the transformation policy and the difficulties encountered in putting it into practise. The study problem stated that because the gaming and betting industries play a significant role in the Republic of South Africa's revenue creation, it is necessary to investigate the significance of transformational policies and the difficulties associated with their implementation. This is the setting in which the literature study and data-collection interviews have examined the function of the gaming and betting sector. Regarding the research issue of problems with research policy implementation, information gathered from interviews has indicated that laws and the stringency of their enforcement must be addressed in order to reduce discrimination in the sector.

Notably, in order to address the research problem, literature sources have been used to look into regulatory frameworks that can be found in different nations. Additionally, in order to draw conclusions from the literature review, compliance-related difficulties have also been identified in these nations. Given the significant role the betting

industry has played in the economic growth of the sector, the sector as a whole has to be appropriately scrutinised, with a particular emphasis on those who were previously marginalised. Furthermore, as evidenced by literature findings, improved legal formulations are required in other nations to govern the operations of the horseracing industry, in addition to the casinos involved in the betting sector. Therefore, the issues in South Africa and other nations are not limited to the betting and gambling sector; they also include individual involvement in the sector and the operations of the horse racing sector.

There are certain areas in South Africa as well as other nations like Australia, Canada, and the UK where industrial integration and legislative requirements are lacking. Numerous nations have reported that their citizens gamble as a form of leisure. The literature review's conclusions have led to the conclusion that, despite the fact that these kinds of recreational gambling activities boost national output, they are not subject to set rules. Lastly, based on the information acquired from literary sources and the interview results, developing business knowledge would also help to address the many issues associated with implementing different laws. Better backing for policy integrations would be needed from the government, stakeholders, and officials.

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Appendices

Appendix 1. – Interview Questions

Participant 1



Interviews Questions

Factors Affecting the sustainability of horse racing sport; the case of the selected organisations.

Section A:

Please complete the following: -

1. First Name

Surname _____

2. Gender

Male __M____ Female_____

3. Age

_____57_____

4. Ethnic group

_____White_____

5. Size of the business

_____Larg_____

Section B.

Objective 1. To establish the historical development of the horse racing industry in South Africa.

1. How long has the organisation been operating for?

Since 1999

2. How many employees are in this organisation?

1852

3. When did the horse racing start in South Africa?

'the sport of horse racing has a long history in South Africa, with official racing having been recorded as far as 1795 when British rule first came to Cape Town.'

4. Through the years, who were the stakeholders of the horse racing industry?

Owners of the race horse are the biggest stakeholders of the industry because they are always willing to spend in excess of R580 million per year ensuring that the race horses are trained and are monitored.

5. How has the growth and development of technology affected the horse racing industry?

Technology has affected many areas of our lives, through the years the way we work, communicate, cook, clean, entertain ourselves, has all changed. And the truth be told there are almost no industries that haven't benefited from at least some of the technological developments from the last couple of decades as such technology has benefited use to be able to do our jobs easy, to be able to sell our feed in different counties, to make our punters bet easy. The slots machines and illegal gambling is though affecting our business negatively.

6. Has your favourite bet type changed in the last 3-4 years?

No – still sticking to swingers, wins, and places, but I enjoy taking lucky numbers as well

Objective 2: To evaluate the challenges affecting the sustainability of the horse racing in industry in South Africa.

7. Does your organisation control finances effectively? And how?

Yes – budgets and regular review, through active procurement and department, and manage our spending because our turnover is declining yearly.

8. What are the factors that are affecting the sustainability of horse racing industry?

Public participation, government regulation, state of the economy, tote decline, export protocols, and illegal gambling which is a major factor that affects the growth of the spirit of horse racing because the public is always seeking for quick cash.

9. What special skills and training do you possess?

Marketing honours degree, experience in bookmaker and tote business, involved in horse racing, special skills in training a horse and ability to read the race card. To answer the question about the key areas to sustain the horse

racing sport, there is a need to invest in the business that will assist in funding the horse racing sport.

10. How are the gambling regulations a challenge in the horse racing industry

Consistency, marketing, and diversification is not enough because the gambling board consistently prohibits ways that we as the industry can survive."

11. What has been the turnover trend for the past five years?

Consistently declining

12. What is the objective of this organisation?

One of our key objectives is "To sustain the sport of horse racing in KZN"

13. Do the potential customers know what distinguishes totalisator from the bookmakers?

The new customers or the new market, does not know the difference.

14. What are factors that are affecting the sustainability of this industry? List five?

Public participation, government regulations, state of the economy, tote decline, export protocols and illegal gambling which is a major factor that affects the growth of the sport of horse racing because the public is always seeking for quick cash.

15. How are the gambling regulations a challenge in the horse racing industry?

Consistency, marketing, and diversification is not enough because the gambling board consistently prohibits ways that we as the industry can survive. .

Objective 3 - To critically assess the economic impact of the horse racing industry to the South African economy.

16. What are the key challenges in the organisation that impact the sustainability of the horse racing.

With toe renenue decreasing, finding ways to fund the cost to stage horse racing and pay stales tp sistaom the horse racing and paying stakes to sustain the continuation of the sport.

17. How is South African economy regarding the rising high unemployment rate affecting the business?

The high unemployment rate is affecting our business drastically, we are even unable to meet our last years turnover.

18. What has been the companies return in the last five years?

Less than 50%

19. Does the management generate the predicted turnover results every month?

Not every single month.

20. What do you think is the key area to work on to sustain the horse racing sport?

Consistence, marketing and diversification is not enough because the gambling board consistently prohibits ways that we as the industry can survive,

Objective 4 – To suggest possible measures to sustain the horse racing sport in South Africa.

21. Does your organisation do enough marketing?

Yes we do, digitally we are on Soccer24 slides and bet365, and futher from that we are always ensuring that we are pushing hard on our outlets' competition where our customers stand a chance to win vouchers and promotional items.

22. What do you think should be done to improve your current marketing and to ensure you increase sales and remain sustainable?

We aiming to introduce new bet types regularly and increase customer betting options so all customers can come and bet with us.

23. What strategies have you implemented to ensure that the company remains relevant?

More focus on online offerings such as betting Application and online betting and more digital marketing presence.

24. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

Yes definitely.

25. What measurements have you taken to double-check the growth of your organisation in the past 5 years and what strategies have you implemented or will be implemented to ensure that you grow the business and grow within the industry?

We have implemented a good marketing strategy.

We have signed contracts with our sponsors worth five-year sponsorship deals.

26. Is there a plan of diversification, should the industry decline or shut down completely?

No- remain as confused about differentiation!

27. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

Yes definitely.

28. What do you think is the key area to work on to sustain the horse racing sport?

Consistence, marketing and diversification is not enough because the gambling board consistently prohibits ways that we as the industry can survive,

29. When you think about the future of the horse racing sport. What are your greatest fears?

Unsustainability of the horse racing sport is a greater fear because we do not know what tomorrow has in this industry, bookmakers consistently close, economy continues to change and rich people continue to get richer and poor people continue to get poorer we depend on racing, if it is raining, we have big problems.

30. What measurements have you taken to double-check the growth of your organisation in the past 5 years and what strategies have you implemented or will be implemented to ensure that you grow the business and grow within the industry?

We have implemented a good marketing strategy.

We have signed contracts with our sponsors' worth five-year sponsorship deals.

31. Is there a plan to educate the youth to adopt and learn the horse racing sport? And take bets in events such as Durban July, Sun Met, Summer Cup and Gold Cup? How are you educating and adopting the industry to innovation, so that the industry remains appealing to the youth?

Yes indeed, we have bet captains that educate customers constantly. Youth want technology and we are investing on that a lot.

32. Does the organisation conduct staff performance evaluation? How often?

Yes – every year.

33. What involvement does the organisation have with the community? Customers and Suppliers?

We are required by the regulation to complete CSI projects worth 25% of our annual turnover, we are involved with Dundee July, Willofontain rural racing and more.

34. Technology plays a vital role in today's world, so is innovation, what strategy have you implemented to ensure that the company remains relevant?

More focus on online offering such as betting app and online betting and more digital marketing presence.

35. Where do you see this company in the next 5-10 years?

Five years ago, I would have answered this question with no hesitation, right now the sport of horse racing is filled with challenges that I cannot even start explaining and to tell you where the racing will be in the next five years, to answer your question, we leave in hope that the industry will get better.

36. Does the organisation have a referral customer program? Does it work well to maintain customer base?

Yes, we do.

37. Anything else that you would like to bring to my attention?

No.

The end

Participant 2



Interviews Questions

Factors affecting the sustainability of horse racing sport; the case of the selected organisations.

Section A:

Please complete the following: -

1. First Name

Surname _____

2. Gender

Male M _____ Female _____

3. Age

_____49_____

4. Ethnic group

_____White_____

5. Size of the business

_____Large_____

Section B.

Objective 1. To establish the historical development of the horse racing industry in South Africa.

1. How long has the organisation been operating for?

Since 2000.

2. How many employees are in this organisation?

We have 5000 employees

3. When did the horse racing start in South Africa?

In 1795, at that time racing was popular and had thoroughbreds from Australia. It is at that time where South Africa started breeding horses and that increased in the late 1860 where horse racing became more popular. Though I was not alive, when I joined the industry 40 years ago, I made it my business to know everything and every details as this benefits my family”

4. Through the years,who were the stakeholders of the horse racing industry?

Jockeys, owners and trainers because they ensure that the horses will run the race they are the guys who makes sure that the horse is trained for racing.

5. How has the growth and development of technology affected the horse racing industry?

Technology have developed over the years, while we tried to keep hold of many of our traditions, however ever technology has touched all of us, as such the safety of the riders and their horses are of paramount importance to the organisers. Using bright colours on fences helps horses to see them better in jump races, reducing the number of accidents. The disadvantage is the online gambling which is harming our turnover.

6. Has your favourite bet type changed in the last 3-4 years?

"No – I still enjoy taking my best bets, which is the swinger. But I enjoy going to casinos as well now."

Objective 2: To evaluate the challenges affecting the sustainability of the horse racing in industry in South Africa.

7. Does you're the organisation control finances effectively? And how?

'Yes –effective budget and managing spend because the turnover is declining year on year.

8. What are the factors that are affecting the sustainability of horse racing industry?

'Economic climate, customer base, regulatory, core product has which is horse racing has become less appealing to the public and illegal gambling which has grown drastically in the past few years, in knower days every corner there are hidden machines that people are gambling on, for an example in Umlazi, KZN, there are over 80 shops that we found with the gambling board that are illegal shops for gambling, and they were all full.'

9. What special skills and training do you possess?

'Need to have special skills on how to pay bets, how to read a race card, how to train and of course be business-minded. The key area to sustain the horse racing industry would defiantly be a government not to consistently increase tax.'

10. How are the gambling regulations a challenge in the horse racing industry?

The gambling board needs to play a role in supporting the industry instead of an increasing tax. The national gambling board must make bookmakers licenses available for us so that we can grow our businesses.

11. What has been the turnover trend for the past five years?

To promote and sustain the sport of horse racing in South Africa and to be viewed as world class.

12. What is the objective of this organisation?

Yes- our brand has stood out,

13. Do the potential customers know what distinguishes totalisator from the bookmakers?

Yes our brand has stood up.

12. What are factors that are affecting the sustainability of this industry? List five?

Economic climate, customer base regulatory, core products has, which is horse racing has become less appealing to the public and illegal gambling which has grown drastically in the past few years, in newer days every corner there are hidden machines that people are gambling on, for example in Umlazi KZN, there are over 80 shops that we found with the gambling board that are illegal shops for gambling and they are all full at all times, customers are betting illegally.

13. How are the gambling regulations a challenge in the horse racing industry?

'The gambling board needs to play a role in supporting the industry instead of an increasing tax. The national gambling board must make bookmakers licenses available for us so that we can grow our businesses

Objective 3 - To critically assess the economic impact of the horse racing industry to the South African economy.

14. What are the key challenges in the organisation that impact the sustainability of the horse racing.

'Decrease turnover, economic climate, and regulatory environment.'

15. How is South African economy regarding the rising high unemployment rate affecting the business?

The high unemployment rate is affecting our business drastically, we are even unable to meet our last year's turnover

16. What has been the companies return in the last five years?

Over 50%.

17. Does the management generate the predicted turnover results every month?

Yes, we do, because turnovers have been reduced.

18. What do you think is the key area to work on to sustain the horse racing sport?

The gambling board needs to play a role in supporting the industry instead of increasing tax

Objective 4 – To suggest possible measures to sustain the horse racing sport in South Africa.

19. Does your organisation do enough marketing?

Yes, the Marketing plan needs to be adjusted to appeal to the new market.'

20. What do you think should be done to improve your current marketing and to ensure you increase sales and remain sustainable?

We aim to increase our sales channels, we want to add more retail outlets and implement e-business strategies.

21. What strategies have you implemented to ensure that the company remains relevant?

'The Company is currently investing a lot on the online platforms, more on bet games, and through digital advertising.'

22. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

No we will keep it as a family business.

23. What measurements have you taken to double check the growth of your organisation in the past 5 years and what strategies have you implemented or will be implemented to ensure that you grow the business and grow within the industry.

We will open 20 more sports betting shops.

24. Is there a plan of diversification, should the industry decline or shut down completely

No customers are unable to differentiate between the two, instead they know that totalisator is pool based and they will back both.

25. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

We will open 20 more sports betting shops.

26. What do you think is the key area to work on to sustain the horse racing sport?

The gambling board needs to play a role in supporting the industry instead of increasing tax.

27. When you think about the future of the horse racing sport. What are your greatest fears?

Transformation is a problem and government changing policies.

28. What involvement does the organisation have with the community? Customers and Suppliers?

We are obligated to complete CSI project for every outlet, 25% of turnover must be recontributed to the community.

29. Is there a plan to educate the youth to adopt and learn the horse racing sport? And take bets in events such as Durban July, Sun Met, Summer Cup and Gold Cup? How are you educating and adopting the industry to innovation, so that the industry remains appealing to the youth?

Yes in big events such as the above mentioned we always ensure we have enough staff to assist.

30. Does the organisation conduct staff performance evaluation? How often?

Yes we do.

31. Technology plays a vital role in today's world, so is innovation, what strategy have you implemented to ensure that the company remains relevant?

The company is currently investing a lot on the online platforms, more on bet games and through digital advertising.

32. Where do you see this company in the next 5-10 years?

We are growing, although we are trading in difficult times, we are however growing.

33. Does the organisation have a referral customer program? Does it work well to maintain customer base?

Yes – we have referred a friend and we utilise codes, that is how our telephone betting and mobile betting grew faster than we thought.

34. Anything else that you would like to bring to my attention?

No.

The end



Interviews Questions

Factors affecting the sustainability of horse racing sport; the case of the selected organisations.

Section A:

Please complete the following: -

35. First Nam

Surname _____

36. Gender

Male ___M___ Female_____

37. Age

_____53_____

—

38. Ethnic group

_____ Indian _____

39. Size of the business

_____ Large _____

Section B.

Objective 1. To establish the historical development of the horse racing industry in South Africa.

Objective 1. To establish the historical development of the horse racing industry in South Africa.

1. How long has the organisation been operating for?

Since 2000.

2. How many employees are in this organisation?

We have 5000 employees.

3. When did the horse racing start in South Africa?

The industry officially started in 1795, however for me the industry started being very interesting when we could stage events such as the Vodacom Durban July which was the Rothmans Cup or known as Rothmans Cup back in 1883 and we

further started staging Cape Met in 1884, the sport of horse racing was known as the sport of kings and Queens”

4. Through the years, who were the stakeholders of the horse racing industry?

It will have to be the two operators Gold Circle and Phumelela Gaming, the customers who bet daily.

5. How has the growth and development of technology affected the horse racing industry?

Technology development is the key and has assisted us to improve our business over the years, as such we have benefited a lot from the development of technology and negatively when it comes to online gambling and bingo and casinos.

6. Has your favourite bet type changed in the last 3-4 years?

’No – I still enjoy taking my favourite bets, which is wins, places, and swingers.’

Objective 2: To evaluate the challenges affecting the sustainability of the horse racing in industry in South Africa.

7. Does your organisation control finances effectively? And how?

Yes – our auditing team are always on point and double-checking our expenditure.’

8. What are the factors that are affecting the sustainability of horse racing industry?

Most of our outlets cannot even breathe; hence we closed the Chatsworth unit 7 and Everton outlet because in every corner there are illegal gambling machines, and they are getting out of hand.’

9. What special skills and training do you possess?

Due to a lot of gambling restrictions, we so happen to be limited on what we can do, however we are developing skills such as our cleaners get an opportunity to become clerks and from clerks, they can possibly become bookmaker manager after an extensive betting training.

10. What has been the turnover trend for the past five years?

Declining

11. What is the objective of this organisation?

To be the world recognised horse racing and sport company.

12. Do the potential customers know what distinguishes totalisator from the bookmakers?

No

13. How are the gambling regulations a challenge in the horse racing industry?

'Our government is very harsh due to lack of understanding the industry, we are underperforming because we must pay too many renewals every year, which is stressful to the business

Objective 3 - To critically assess the economic impact of the horse racing industry to the South African economy.

14. What are the key challenges in the organisation that impact the sustainability of the horse racing.

'We are losing punters, we not generating the turnover that we used to generate, even on big events such as VDJ, we not making the profit we use to make, and it is concerning.'

15. How is South African economy regarding the rising high unemployment rate affecting the business?

The high unemployment rate is affecting the business badly, consumer spending has dropped significantly

16. What has been the companies return in the last five years?

Over 50%.

17. Does the management generate the predicted turnover results every month?

We use to but not anymore, right now we are battling to even meet our month to month turnover.

18. What do you think is the key area to work on to sustain the horse racing sport?

Government must assist us so that our businesses can grow.

Objective 4 – To suggest possible measures to sustain the horse racing sport in South Africa.

19. Does your organisation do enough marketing?

Yes, we do, digitally we are on Soccer24 slides and bet365, further from that we are always ensuring that we are pushing hard on our outlet competition where our customers stand a chance to win vouchers and promotional items.'.

20. What do you think should be done to improve your current marketing and to ensure you increase sales and remain sustainable?

We aim to increase our sales channels, we want to add more retail outlets and implement e-business strategies

21. What strategies have you implemented to ensure that the company remains relevant?

22. *"Ithuba is consistently introducing new market in Johannesburg, now and again there is a new lotto game show, off-course that affects the sports and racing company because punters would take whatever cent they have and invest it on the new game show, so do the casinos having to change the games and being open 24 hours, all those aspects affect us."*

23. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

Yes – we are seeking for new members

24. What measurements have you taken to double check the growth of your organisation in the past 5 years and what strategies have you implemented or will be implemented to ensure that you grow the business and grow within the industry.

It is difficult because we are leaving on month-to-month trade, however we busy revisiting our strategies to ensure that we compete and generate turnover that has been lost.

25. Is there a plan of diversification, should the industry decline or shut down completely

Yes there is.

26. Is there a possibility that your organisation might extend ownership or merge with organisations that are in the same industry?

We will open 20 more sports betting shops.

27. What do you think is the key area to work on to sustain the horse racing sport?

New game show, so do the casinos having to change the games and being open 24 hours, all those aspects affect us.

28. When you think about the future of the horse racing sport. What are your greatest fears?

Economy which continues to decline, unemployment rate which continues to rise all off that affect our business.

29. What involvement does the organisation have with the community? Customers and Suppliers?

We are obligated to complete CSI project for every outlet, 25% of turnover must be recontributed to the community.

30. Does the organisation conduct staff performance evaluation? How often?

Yes regularly.

31. What involvement does the organisation have with the community? Customers and Suppliers?

In all our outlets we have CSI projects, where we support local charities, rural horse racing and rural outreach programs.

32. Technology plays a vital role in today's world, so is innovation, what strategy have you implemented to ensure that the company remains relevant?

Ithuba is consistently introducing new market in Johannesburg, every now and again there is a new lotto game show, because that affects the sports and racing company hence punters would take whatever cent they have and invest it on the new betting types.

33. Where do you see this company in the next 5-10 years

We would like to extend the business internationally.

34. Does the organisation have a referral customer program? Does it work well to maintain customer base?

Yes we do.

35. Anything else that you would like to bring to my attention?

No – Thank you.

The end

Appendix 2. – Customer Interview

Customer interview 1

Customer Survey: Gold Circle, Phumelela Gaming and Hollywood bets

Research: FACTORS AFFECTING THE SUSTAINABILITY OF HORSE RACING SPORT

INTERVIEWER: _____

PLACE: Durban _____

DATE: 21 January 2020 _____ TIME: 15:00

PURPOSE OF THE STUDY

Thank you for your time. The purpose of this survey is to investigate factors affecting the sustainability of horse racing sport in Durban, KwaZulu Natal

1. How long have you been involved in betting?

Over ten years, I bet every local race meeting

2. Do you bet on horseracing, sport, or both?

Horses online, easy, and convenient

3. Do you prefer betting to Tote or Bookmakers Or Mobile betting Application? Why?

_Tote because bookmakers are a set amount and I use Mobile betting Application, it is easy and convenient.

4. Has your favourite bet type changed in the last 3-5 years?

No – still sticking to swingers, wins and places but I enjoy taking lucky numbers as well as now.

5. Do you think that betting with Gold Circle/Tab is as exciting and rewarding as it used to be?

More exciting and rewarding

6. Is the betting information that Gold Circle provides to the public sufficient?

Good very good, just like Hollywood bets and Phumelela Gaming

7. How good is the betting information that Phumelela Gaming provide provides to the public?

Explain Acceptable as compared to three to four years ago

8. How good is the betting information that Hollywood Bets provides to the public?

Explain: Good, is very good with their social media

9. What bet types do you prefer from the new range of bet types?

Bet games, because its new its exciting and you get paid instantly after the draw.

10. **Let's talk about Fixed Odds (bookmaker) betting.**

What Fixed Odds bets do you take?

Bet games because it is new it is exciting, and you get paid instantly after the draw.

11. **Do you bet with the Tote as well as Fixed Odds bets?**

At times specially where there are both in one outlet.

12. **Has the proportion changed in recent years?**

Yes – the economy of South Africa is declining , we no longer have money.

13. **Do you take Soccer 6, 10, or 13 bet?**

Yes – pool-based amount is better at times.

Yes

14. **Which betting shop brands have you taken bets at?**

TabGold/ Gold Circle

15. **Which one of these brands do you think offers its customers the best betting experience?**

Gold Circle, Phumelela Gaming and Super bets

16. **If there was ONE big change you could make to horseracing or sports betting, what would that be?**

Try and get more customers to bet on the industry, try and ensure that trainers and owners remain in the industry and try to sustain the industry.

17. Do you have a betting account with any of these brands? If YES, which one/s?

No – bet by cash only

18. Are you spending more or less money on betting now than perhaps 2 or 3 years ago?

Less, no longer have extra money to spend.

19. Would you say you're betting as often as you did 2 or 3 years ago?

No – things have changed now; we do not bet as often as we use to.

20. What do you think are the factors that are affecting the Horse racing sport in Durban?

There is a lot of unsustainability in the horse racing industry, due to economic factors, political factors and most importantly the major factor is that there is no regeneration in the industry.

21. If you had to change something, what would you change to make this industry better?

I would reduce tax, increase stakes, and we as punters must have a say because we are just as important.

THANK YOU!

Customer interview 2.

Customer Survey: Gold Circle, Phumelela Gaming and Hollywood bets

Research: FACTORS AFFECTING THE SUSTAINABILITY OF HORSE RACING SPORT

INTERVIEWER: _____

PLACE: _____

DATE: _____ TIME: _____

PURPOSE:

Thank you for your time. The purpose of this survey is to investigate factors affecting the sustainability of horse racing sport in Durban, KwaZulu Natal.

1. How long have you been involved in betting?

Over ten years, I would bet anytime when I have extra cash.

2. Where do you most often go to bet?

Any nearest TabGold outlet

3. Do you bet on horseracing, sport, or both?

Horses only, I prefer taking a bet now and get paid right after the race.

4. What do you prefer betting with Tote or Bookmakers? And Why?

Bookmaker for variety of bet types and I bet multiple Yankees, patents, Canadians.

5. Do you have a favorite bet type that you play most often?

Yes, Swinger and Places

6. Has your favourite bet type changed in the last 3-5 years?

No- I still enjoy taking my best bets which are the swinger, but I enjoy going to casinos as well now.

7. Do you think that betting with Gold Circle/Tab is as exciting and rewarding as it used to be?

Less exciting because we no longer have lots of Friday nights

8. Is the betting information that Gold Circle provides to the public sufficient?

Acceptable we leave with it.

9. What bet types do you prefer from the new range of bet types?

Horse racing because with horses you get a pay out right after the horses finish racing.

10. How good is the betting information that Phumelela Gaming provide provides to the public?

Good, just like how Gold Circle offers us the race cards, the races computer form

11. How good is the betting information that Hollywood Bets provides to the public?

Good, we never go wrong with Hollywood bets.

12. Let's talk about Fixed Odds (bookmaker) betting.

What Fixed Odds bets do you take?

Horse racing because with horses you get a pay out right after the horses finish racing

13. Has the proportion changed in recent years?

Yes, it has, I bet less than I use to bet before.

14. Do you take Soccer 6, 10, or 13 bet?

Yes, I do. A lot – tote Soccer bets are way better.

Yes, I do

15. Which betting shop brands have you taken bets at?

Tabgold, Track and Ball and betting world (Phumelela Gaming)

16. Which one of these brands do you think offers its customers the best betting experience?

Track and Ball, Hollywood bets, Phumelela Gaming, Morris Vee and Playa

17. If there was ONE big change you could make to horseracing or sports betting, what would that be?

I would eliminate bookmaker's ability to sell racing products and ensure they pay a very high levy for the sale of the racing picture.

18. Do you have a betting account with any of these brands? If YES, which one/s?

Yes – Track and Ball and Hollywood bets

19. Which of the betting shop brands do you visit most often?

Tabgold Greyville racecourse. I like watching horses running live.

20. Are you spending more or less money on betting now than perhaps 2 or 3 years ago?

Less by the time I finish my household, I do not have a cent left

21. Would you say you're betting as often as you did 2 or 3 years ago?

22.

Not as much as we use to bet, a lot has changed in the gambling industry and the economy has changed a lot, we no longer have that luxury of money to bet at all time.

23. What do you think are the factors that are affecting the Horse racing sport in Durban?

There are so many more satisfying and options of entertainment, Suncoast has everything you need, in one venue instant gratification off the casino, most of my friends prefer to stay at the casino now.

24. If you had to change something, what would you change to make this industry better?

A lot, I would change the race cards, I still want a computer form, I would change the amount of winnings we get taxed, I would change the rules of the gambling board which by the way was only formed in 2015 which we were just fine without it. So, I would change a lot.

THANK YOU!

Customer interview 3.

Customer Survey: Gold Circle, Phumelela Gaming and Hollywood bets

Research: FACTORS AFFECTING THE SUSTAINABILITY OF HORSE RACING SPORT

INTERVIEWER: _____

PLACE: Greyville Race course

DATE: 6 January 2020 _____ TIME: 12: 30

PURPOSE:

Thankyouforyourtime. The purpose of this survey is to investigate factors affecting the sustainability of horse racing sport in Durban, KwaZulu Natal.

1. How long have you been involved in betting?

Less than ten years, hence I started as source of an extra income where do you most often go to bet?

2. Do you bet on horseracing, sport, or both?

Horses only, I have more knowledge in horse racing, I can read my race card and I grew up betting on horse racing.

3. What do you prefer betting with Tote or Bookmakers? And Why?

Tote – more convenient

4. Do you have a favorite bet type that you play most often?

Yes, I take lot of places, swingers, and straight sports bet.

5. Why do you enjoy taking this bet type?

It is important that I win,

6. Has your favourite bet type changed in the last 3-5 years?

No – I still enjoy taking my favourite bets which is wins, places and swingers.

7. Do you think that betting with Gold Circle/Tab is as exciting and rewarding as it used to be?

Same as before nothing has changed

8. Is the betting information that Gold Circle provides to the public sufficient?

Good cannot complain

22. What bet types do you prefer from the new range of bet types?

My interest has gone to LPM's, I spend all my money in LPM's as they introduce new games every month and I am able to win most of the times.

9. How good is the betting information that Phumelela Gaming provide provides to the public?

Not good enough, we should possibly get these race cards via email now.

10. How good is the betting information that Hollywood Bets provides to the public?

Good but still prefer staying in a tote

11. What Fixed Odds bets do you take?

Horse racing its within me, it is my hobby I bet a lot with soccer as well

12. Which betting shop brands have you taken bets at?

TabGold, Track and Ball

13. Which one of these brands do you think offers its customers the best betting experience?

Hollywood bets defiantly

14. If there was ONE big change you could make to horseracing or sports betting, what would that be?

Horse racing is the focus though we need to incorporate the other sports bets and activities to bring more revenue.

15. Do you have a betting account with any of these brands? If YES, which one/s?

Yes – both Tab Gold and Hollywood bets.

16. Which of the betting shop brands do you visit most often?

Tab Gold at race course and Hollywood bets.

17. Are you spending more or less money on betting now than perhaps 2 or 3 years ago?

Less I use to have a budget for betting and double that budget, these days that is almost impossible.

18. What do you think are the factors that are affecting the Horse racing sport in Durban?

If you speak to people out of racing, they do not really understand the brand, and what the company is about, there is no recognition to attract people to want to experiment the experience people have lost touch with the sport.

19. If you had to change something, what would you change to make this industry better?

Horse racing is an old game that we enjoy the most, we enjoy betting, we enjoy betting, and we would like to please inform the operators that we need.

THANK YOU!

Customer Interview 4.

Customer Survey: Gold Circle, Phumelela Gaming and Hollywood bets

Research: FACTORS AFFECTING THE SUSTAINABILITY OF HORSE RACING SPORT

INTERVIEWER: _____

PLACE: _____

DATE: _____ TIME: _____

PURPOSE:

Thank you for your time. The purpose of this survey is to investigate factors affecting the sustainability of horse racing sport in Durban, KwaZulu Natal.

1. How long have you been involved in betting?

Longer than ten years, my father was a gambler, my grandfather was a gambler, and this is how I make my living.

2. Where do you most often go to bet?

TabGold

3. Do you bet on horseracing, sport, or both?

Sport only – I prefer betting on sports because I know my sports more, I prefer watching all the games and predict the winning results

4. What do you prefer betting with Tote or Bookmakers? And Why?

_Tote – not familiar with bookmaker odds

5. Do you have a favorite bet type that you play most often?

Wins and Places.

6. Has your favourite bet type changed in the last 3-5 years?

Yes, there has been a whole new ball game of bets types, in Soccer we now bet on games worth 10 minutes, halftime, full time, 3 ways odds, there are so many bet types to choose from and we are enjoying the variety of bet types. In horse racing we have three mix, Trixie, patent, and Yankee.

7. Do you think that betting with Gold Circle/Tab is as exciting and rewarding as it used to be?

Same as before all is still well.

8. Is the betting information that Gold Circle provides to the public sufficient?

Acceptable but I still chose the new mobile betting application

9. What bet types do you prefer from the new range of bet types?

Soccer, bet games, lotto and cricket.

10. How good is the betting information that Phumelela Gaming provide provides to the public?

Good because we can purchase on the outlet all the information, we need; I mean Gold Circle even provided self-service touch screens now; we are able to get all our information and compile our bets.

11. How good is the betting information that Hollywood Bets provides to the public?

Good but still sit with betting world for better odds.

12. Let's talk about Fixed Odds (bookmaker) betting.

What Fixed Odds bets do you take?

Horse racing pays my bills, I enjoy betting on horses, it is an easy prediction, but I bet with a lot On Soccer, Bet games, lotto, and cricket.

13. Which betting shop brands have you taken bets at?

Track and Ball, Hollywood bets, TabGold, Phumelela Gaming.

14. Which one of these brands do you think offers its customers the best betting experience?

Gold Circle and Hollywood bets

15. If there was ONE big change you could make to horseracing or sports betting, what would that be?

We need to maintain the industry and ensure that there is regeneration.

16. Do you have a betting account with any of these brands? If YES, which one/s?

Yes – Phumelela Gaming

17. Are you spending more or less money on betting now than perhaps 2 or 3 years ago?

More because fixed odds managed to double my betting budget and I have been just earning extra cash from there.

18. Would you say you're betting as often as you did 2 or 3 years ago?

No – we bet less now, way less, we do not have enough money.

19. What do you think are the factors that are affecting the Horse racing sport in Durban?

People are looking for other option and making money.

20. If you had to change something, what would you change to make this industry better?

I would increase all stakes; I would also increase all potential wins.

THANK YOU!

EVALUATION OF SUSTAINABILITY IN SOUTH AFRICA'S HORSE RACING

by Siphamandla Mlobeli

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