

UNIVERSITY OF KWAZULU-NATAL

Evaluating Key Strategic Factors Impacting The
Socio Economic Growth and Sustainability of Race Horse
Owners in KZN

By

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Declaration

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Abstract

The prestige of horse racing is enjoyed by many people in most countries in the world and the sport has historically become known as the “Sport of Kings”. In South Africa (SA) and in many other countries, the sport of horse racing has faced unparalleled competition which has resulted in a rapid decline of industry participants in particular race horse owners. Race horse owners are one of the pivotal players in the sport especially because they are a key source of funding for the horse racing industry. A decline in ownership leads to a decline in betting product which results in overall decline in revenue generated from gambling leading to a further decline in ownership. This perpetuating cycle could lead to the industry becoming unsustainable. This study aims to identify the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN. This statement is in itself paradoxical as the study presents evidence of a “decline” of horse ownership in KZN. In order to achieve these objectives, quantitative research methods were used to collect data. Primary data was sourced through quantitative analysis using a self-administered questionnaire distributed to horse owners in KZN using the QuestionPro survey software. Stratified random sampling was used to select the respondents to the self-administered questionnaire. The population comprised 1120 past and present owners. The sample size amounted to 267 participants of which 106 responded. Descriptive statistics were used to analyse the quantitative data. Secondary data was also obtained from company records, industry analysis and government publications. The main findings of the study indicate that prize money (stakes) paid to race horse owners when their horse wins or places in a race, is too low. One of the big constraints faced by owners is that stakes are not increasing in line with costs. In 2011, prize money covered only 46% of the cost of race horse ownership in SA (International Federation of Horse Racing, 2014). The horse racing industry in SA is a labour intensive industry, and this negative economic trend is unfortunate especially from a socio-economic perspective in a country with a high level of unemployment. The motivation behind the study is to identify ways of overcoming or mitigating the challenges that exist so as to positively impact the industry and the regional economy at large. Recommendations to achieve this include the promotion of syndicates as a form of ownership and a marketing strategy that focuses on innovation and technology.

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LIST OF ABBREVIATIONS

AHS	African Horse Sickness
CEO	Chief Executive Officer
GDP	Gross Domestic Product
GGR	Gross Gaming Revenue
JSE	Johannesburg Securities Exchange
KZN	KwaZulu-Natal
NGB	National Gambling Board
NHRA	National Horseracing Authority of SA
NRGP	National Responsible Gambling Programme
PGL	Phumelela Gaming & Leisure Limited
PLA	Provincial Licencing Authority
SA	South Africa
TBA	Thoroughbred Breeders Association
USA	United States of America
VAT	Value Added Tax

CHAPTER ONE

OVERVIEW OF THE STUDY

1.1. INTRODUCTION

The horse racing industry is a global industry and in totality worth several hundred billion dollars. One of the key drivers of the industries economic activity is race horse owners. Through their efforts, the industry has made a significant contribution to socio-economic development in the form of gross domestic product (GDP), taxes and levies and job creation both nationally and in the Province of KZN. This study seeks to identify and evaluate the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN and make recommendations on overcoming or mitigating the challenges that exist so as to positively impact the industry and the regional economy at large.

The aim of this chapter is to provide an overview of the current research by discussing the motivation, justification and focus of the study. This leads to the statement of the research problem as well as the objectives of the study. The chapter also includes a discussion on the limitations, delimitations and assumptions made, concluding with an overview of the entire study.

1.2. THE DIRECT ACTION ENVIRONMENT

1.2.1. Overview of horse racing in SA

Unlike most other sports whose revenue is derived from households in the form of “match day experiences” and broadcasting rights, horse racing is funded mainly through betting and horse owners. Accordingly, horse racing forms part of the gambling sector of the economy with revenues generated from betting being ploughed back into racing and into the fiscus through an equitable distribution formula. The industry is diverse and complex with its supply chain comprising many key, multifaceted input and output contributors such as breeders, owners, jockeys, punters, operators, regulators etc. In South Africa (SA) and in many other countries, the sport

of horse racing has faced unparalleled competition from a wide variety of other forms of entertainment and wagering. This has resulted in a rapid decline of industry participants in particular race horse owners. Race horse owners are one of the pivotal players in the sport especially because they are a key source of funding for the horse racing industry.

The history of the industry in SA goes back to 1797, when the first race took place in Cape Town (Racing SA, 1999). Since then, the industry has evolved into a multi-faceted operation.

There are two racing operators in SA. Gold Circle (Pty) Ltd control racing in KwaZulu-Natal (KZN) while Phumelela Gaming and Leisure Limited (PGL), control racing in the remainder of the provinces.

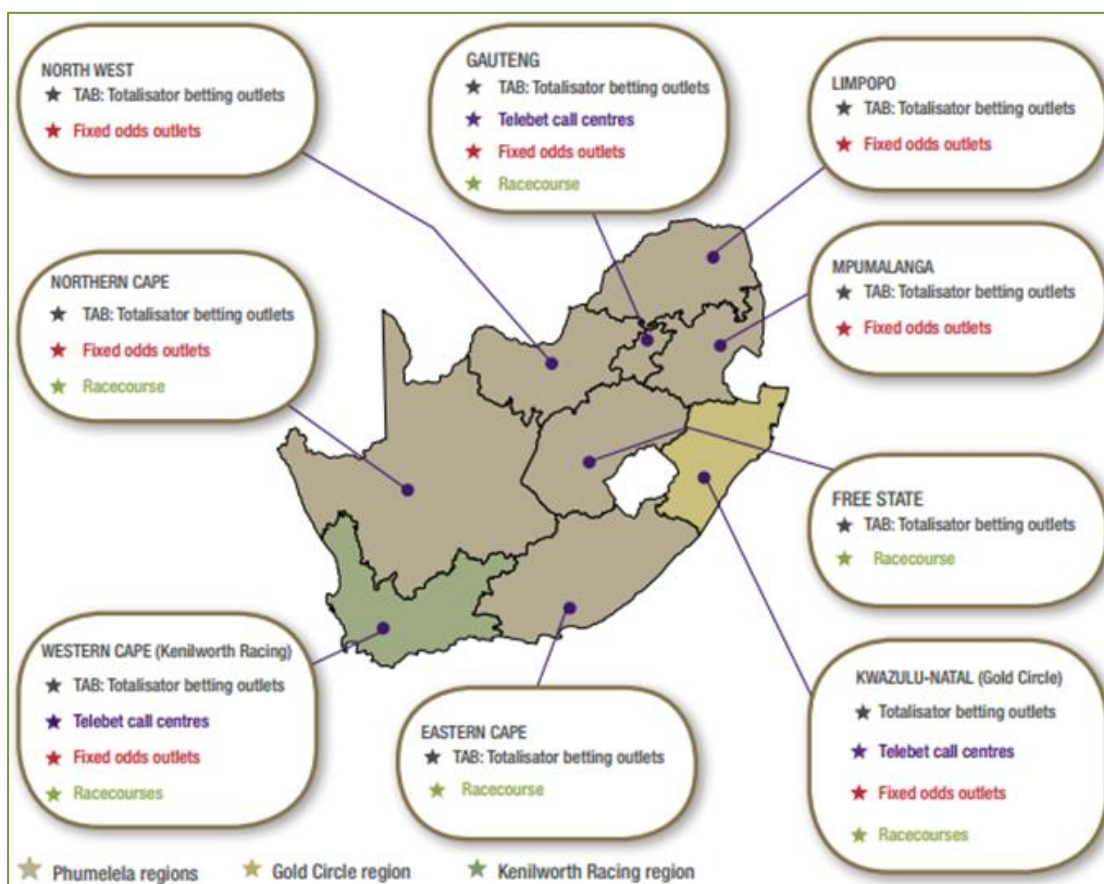


Figure 1.1 Geographical Layout of Racing in SA

Adapted from Phumelela integrated report 2015 as recorded on www.phumelela.com

There are three popular races that stand out above the rest, one in each of the three largest cities in the country. The Durban July, staged at Greyville Racecourse in the City of Durban, The Summer Cup, staged at Turffontein Racecourse in the City of Johannesburg and The Met, staged at Kenilworth Racecourse in the City of Cape Town.

1.2.2. A brief history of the Thoroughbred Racehorse

At the outset, it is important to note that this study relates to thoroughbred horse racing. There are over 110 000 thoroughbred horses born worldwide annually and amazingly each one can trace their ancestry back through three horses in the father's line – “the Byerley Turk, the Godolphin Arabian, or the Darley Arabian” (KZN Breeders, 2016).

A Thoroughbred horse as the name suggests is a “pure breed, hot blooded” animal, whose spirit, agility and speed make it the best horse for racing, its wide girth for a large lung capacity, strong legs and long sloped shoulders makes it the fastest horse on the track (ParadeRing.ie, 2016). The first General Stud book to record the thoroughbreds breed was published by Wetherby's in 1791. This book is the foundation for all other stud books worldwide.

1.2. MOTIVATION FOR THE STUDY

In many parts of the world, SA included, horse racing has been facing competition from a wide and growing variety of other forms of entertainment and wagering. The consequence of this is that the number race horse owners in KZN are declining.

In light of the self-perpetuating cycle of the horse racing industry, as will be further discussed in the literature review, this trend could impact the sustainability of the industry negatively, especially from a socio economic perspective in countries with high levels of unemployment. The horse racing industry in KZN is a particularly labour intensive industry relative to other forms of gambling. Many of these jobs are in rural areas where the need of employment is particularly desperate. The sport faces many challenges. Addressing these challenges would contribute to the greater good of the country.

1.3. JUSTIFICATION FOR THE STUDY

There has been limited academic research carried out on the horse racing industry in SA. The study carried out by (Economic Information Services, 2011) in particular, focused on the industry as a whole from a national perspective. Findings of the study indicate a decline in the numbers of various industry participants i.e. breeders, owners, trainers and jockeys. The horse racing industry plays a significant role in the economic development of the province of KZN. Race horse owners are the single largest contributors to funding the racing industry as they provide the product i.e. “the race horse.” Owners purchase horses from breeders and employ the services of trainers, jockeys and supporting service providers such as vets, farriers and horse transport companies, hence contributing to GDP and job creation.

Given that the industry makes a significant contribution to the province of KZN, there was justification in carrying out a study that focused on the industries contribution to the province and the impact of a decline in growth of owners in the province. There are 2 racing operators in SA with Gold Circle operating racing in KZN. Gold Circles financial model is different to that of the other racing operator i.e. Phumelela Gaming and Leisure. This once again provides justification for carrying out a study that focuses on the province rather than the country as a whole.

Measurement leads to understanding, understanding to control and control to improvement. The researcher is of the view that knowledge sharing and awareness in itself, may contribute towards growing the industry. The researcher anticipates this study will benefit the various stakeholders in the industry including owners, breeders, trainers, jockeys, operators and regulators.

In addition, the factors that are impacting negatively on the horse racing industry have and will, impact other organisations and industries in SA. It is hoped that the study will be of benefit to such organisations.

1.4. FOCUS OF THE STUDY

Owners play a pivotal role in the industry. The current research focuses on identifying and evaluating the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN. It highlights the importance of owners without whom the industry will not exist, thereby justifying the need to grow and sustain the industry. The study focuses mainly on KZN owners who own horses racing in the province of KZN. The literature review details the inter-relationship that exists between the various stakeholders within the industry. The correlation between betting and horse racing, means that factors impacting betting has an impact on horse racing. Hence, there are areas of the study that extends beyond owners and includes other stakeholders as well, in particular betting.

In addition, the study aims to explore the internal and external factors hindering the industry's growth and recommend strategies to overcome these factors.

1.5. PROBLEM STATEMENT

The finance model of the horse racing industry is predominantly self-funding with revenues from betting being filtered back into racing. A reduction in the number of horses especially quality horses, leads to fewer races on which patrons can bet. Reduced betting results in lower revenues being generated by the industry and this is leading to a decline in socio economic growth. According to (European Pari Mutuel Association, 2009), Belgium, experienced the same decline since 1980. Only five (5) racecourses out of ten (10) i.e. 50 % were still active with the breeding sector almost having disappeared. Compared to 1990 were three hundred and twenty five (325) foals were born only thirty five (35) thoroughbred foals were born in 2008.

According to the current research, the number of race horse owners in KZN has decreased between 2010 and 2014 from 1474 to 1316 equating to an 11% decline and many of the owners have reduced the number of horses they own from 2322 in 2010 to 2178 in 2014 equating to a decline of 6% (Table 4.5). According to the report carried out by (Pricewaterhouse Coopers (PWC), 2015), as discussed in table 2.7.,

gross gaming revenue (GGR) on horse racing in KZN reduced by 20% from 2011 to 2014.

Key strategic factors are impacting the socio-economic growth of race horse owners in KZN and hence leading to a decline in the horse racing industry and accordingly impacting on the growth and sustainability of the industry.

1.6. AIM OF THE STUDY

The main aim of the study was to identify and evaluate the “key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN”.

1.7. RESEARCH QUESTION

Based on the problem statement, the research question for the current study is stated as follows:

What are the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN?

1.8. RESEARCH SUB-QUESTIONS

In order to answer the research question, the following sub-questions are identified:

- What is the role of race horse owners in the horse racing industry in KZN?
- How can we measure the economic success or failure of horse owners in KZN?
- What is the socio-economic contribution of the horse racing industry to the province of KZN?
- Are there any factors inhibiting growth and sustainability of the industry?
- How can the factors affecting the growth and sustainability or lack thereof, of race horse owners in the horse racing industry in KZN, be mitigated or enhanced?

A deductive approach comprising numerical estimation and statistical inference was followed to resolve the problem statement. In a deductive approach, the researcher

uses theory to develop a proposition and then develops a research framework to test that proposition (Collins, 2010).

1.9. OBJECTIVES

“Identifying and evaluating the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN,” is the primary aim of the current study. To accomplish this, the following objectives were identified:

- Establish whether the number of race horse owners in KZN is increasing or decreasing
- Evaluate the economic success or failure of a race horse owner in KZN.
- Identify factors impacting on the economic success or failure of the race horse owner in KZN
- Suggest recommendations on overcoming the factors inhibiting economic growth and sustainability of the race horse owner in KZN.

1.10. DELIMITATIONS / LIMITATIONS OF THE STUDY

The researcher determines the delimitations of the research which define the characteristics that limit the scope and the restrictions of the study. These characteristics include determining the objectives, the research questions, variables of interest, hypothetical viewpoints that have been adopted and the population that will be investigated (Simon, 2010).

The study was conceptually delimited to the horse racing industry. The study was spatially delimited to the province of KZN. The aim of the study was not to collect general information but rather information that is concise and relevant which can be reproduced.

There were other inherent limitations in the study such as participants being unavailable or not willing to respond with candour. However this was overcome by controlling and accounting for unwanted influence of irrelevant variables thereby ensuring that the study results are both valid and reliable.

1.11. ASSUMPTIONS MADE IN THE STUDY

According to Leedy & Ormrod (2010, p. 62), “Assumptions must be basic since the research problem itself may not exist without them.”

The following assumptions were made in the current study;

- All respondents will answer questions truthfully. In order to ensure that participants responded honestly, the respondents were assured of anonymity and confidentiality.
- Permission to collect data and conduct the research was obtained from the gatekeepers.
- The researcher had adequate resources to complete the project.
- A further assumption was that information sourced from government publications and company records was correct. The researcher did however exercise the necessary caution in validating such data.

1.12. OVERVIEW OF THE STUDY

This study comprised six (6) chapters, including this one. Below is an overview of each chapter:

Chapter One: - (INTRODUCTION)

This chapter provided a preview of the current research which includes a discussion on the motivation, justification and focus of the study. The research problem, aim, objectives, limitations, delimitations and assumptions made are also discussed. It also provides a general outline and structure of the thesis.

Chapter Two: - (LITERATURE REVIEW)

This chapter provided a theoretical perspective of business and analytical models used to assess strategic factors impacting a firm or an industry. It included definitional challenges and conceptual problems in the current field of enquiry. The theoretical component of the literature review was integrated into the study by providing an overview of the horse racing industry from a global perspective, a South African

perspective and then focusing on KZN. Key stakeholders within the industry were discussed with specific focus on owner's contribution to the industry and the industries socio-economic contribution to the province of KZN. Evidence of the decline in growth of the industry leading to the decline in the number of owners was provided.

Chapter Three: - (RESEARCH METHODOLOGY)

This chapter provided a theoretical background to research, research methodology and research design. It included the types of research, i.e. qualitative, quantitative and mixed research discussing the advantages and disadvantages of each method. The rationale for choices made in this particular study are stated especially the choice of data collection instruments.

The target population and the sample were explained detailing the manner in which these were determined. The limitations and delimitations of the study and assumptions made were also discussed. General ethical considerations and the reliability and validity of the research were also discussed and assurances were provided as to how these were ensured in the current study.

Chapter Four: - (PRESENTATION OF RESULTS)

This chapter presented the case study evidence obtained, using the various data instruments. It provided a statistical analysis of the primary data that was obtained from questionnaires and the secondary data obtained from company records, industry analysis and government publications. These results are presented using frequency or descriptive statistics which include figures, tables and narrative text. The results are also presented in graphical format using bar and line graphs and pie charts.

Chapter Five: - (DISCUSSION)

In this chapter, the researcher provided a discussion of the results presented in chapter 4. This chapter was an overview of the research findings which then linked to the findings in the literature review. The aim and objectives of the study were

addressed and the researcher illustrated how the data collected supported or refuted the claim.

Chapter Six: - (RECOMMENDATIONS AND CONCLUSIONS)

In this final chapter the researcher linked the objectives with the findings. The researcher provided answers to the research questions and recommendations for strategies that could be implemented in order to increase the number of owners in KZN and stimulate the socio-economic growth of the horse racing industry. The researcher also highlighted problems or limitations that were encountered during the research and proposed solutions to those problems. Suggestions for future studies are also proposed so as to gain further insight into areas that were not covered in this research.

1.13. CHAPTER SUMMARY

This chapter provided an introduction to the research study. The brief overview of the pivotal role and the contribution that owners make to the industry were highlighted as well as the declining revenue from betting. The research problem was stated and the objectives of the research were identified. The motivation, justification, focus, limitations, delimitations and assumptions of the study were also discussed.

In the next chapter the researcher provides a detailed critical analysis of the literature review which forms the theoretical basis for this study.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

Chapter one (1) provided an introduction to the current research. It presented a discussion on the motivation, justification, focus, objectives, limitations, delimitations and assumptions of the current study. In particular, it highlighted the problem statement with the aim of the study being to, “*identify and evaluate the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN*”.

This chapter presents a literature review of the current study. A literature review provides logical insight into a prevailing body of knowledge and can be achieved through identifying, evaluating and interpreting existing literature and research (Kumar, 2005). A theoretical perspective of business and analytical models used to assess strategic factors impacting a firm or an industry is discussed. It includes definitional challenges and conceptual problems in the current field of enquiry.

The theoretical component of the literature review is integrated into the study by providing an overview of the horse racing industry from a global perspective, a South African perspective and then focusing on KZN. An overview of the economic contribution and challenges experienced in the horse racing industry is presented in order to measure, compare and evaluate the problem statement. The researcher discusses the structure of the horse racing industry in SA to provide an understanding of the interdependence between the various stakeholders with specific focus on owner’s contribution to the industry and the industries socio-economic contribution to the province of KZN. Evidence of the decline in growth of the industry leading to the decline in the number of owners is also provided.

2.2. THEORETICAL PERSPECTIVE

At the outset, it is imperative to define what qualifies as “key strategic factors,” “socio-economic development” and “business sustainability.”

(Kenny, 2001), define key strategic factors as those factors that an organization or industry must get right in order to succeed with its key stakeholders such as suppliers, customers, employees, owners and any other organization, business unit or individual that it depends on for success. The table below illustrates some of the factors that impact each possible stakeholder:

Table 2.1 Key Strategic Factors

Adapted from Kenny, 2001 **Strategic Factors: Develop and Measure Winning Strategy**. President Press

Stakeholder	Strategic Factors
Customers	<ul style="list-style-type: none"> • Customer Service • Product • Quality
Employees	<ul style="list-style-type: none"> • Rewards • Company Reputation • Job Security
Owners	<ul style="list-style-type: none"> • Dividends • Capital Growth
Suppliers	<ul style="list-style-type: none"> • Cost • Quality • Availability

Socio-economic development as explained by (Fritz, n.d.), emphasises progress made from an economic perspective through increased production and consumption of goods and service (GDP) as well as from a social perspective by focusing on areas such as:

- Income
- Poverty
- Employment
- Health
- Education
- Crime
- Civic participation
- Environment

Socio-economic development therefore requires an integration of social and economic development.

“Business sustainability” is often defined as managing the triple bottom line i.e. financial, social and environmental risks, obligations and opportunities of a company to create healthy economic, social and environmental systems. The World Council for Economic Development (WCED), defines sustainable development as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs (Lexicon - Financial Times, n.d.)” So, in order to ensure sustainable development, a business or industry must address important issues such as: economic efficiency (innovation, prosperity and productivity), social equity (poverty, community, health and wellness, human rights) and environmental accountability (climate change, land use, biodiversity) at a macro level (Lexicon - Financial Times, n.d.).

Having defined the key terms i.e. key strategic factors, socio-economic development and sustainability, we now progress to identifying business models and analytical tools that can be used to assess strategic factors impacting a firm or an industry.

2.3. BUSINESS MODELS & ANALYTICAL TOOLS

According to (Mehta, 2013), “strategic analysis is intended to improve the efficiency and effectiveness of an organisation’s capacity by allocating it’s resources wisely through the development and understanding of the environment in which an organisation operates and interacts”. This effectively includes an assessment of the external and internal environments in which the business operates in order to determine the strategic factors that impact the business.

The following models will be discussed and used to determine the strategic factors of the horse racing industry:

- PESTEL analysis
- Porter’s Five Forces
- SWOT analysis
- Industry Life Cycle

2.3.1. PESTEL Analysis

PESTEL analysis is a tool used to gather information about external factors that have or may have an impact on a business, organisation or industry. The acronym denotes and encompasses political, economic, socio-cultural, technological, environmental and legal factors. These factors are discussed below in terms of its impact on the horse racing industry.

2.3.1.1. Political

South Africa's political landscape, changes in legislation and the regulatory framework have a profound impact on the horse racing business (Economic Information Services, 2011). Racing operators are regulated by the Gambling Act and are required to report to both the National Gambling Board as well as the respective Provincial Gambling Board in which it operates (National Gambling Board). The functions of the National Gambling Board include inter alia:

- the issuing of national licences by PLAs;
- monitoring compliance of licensees by PLAs;
- evaluating the performance of PLAs to ensure consistency and uniformity of the application of norms and standards established by the Gambling Act (National Gambling Board)

However, standards between the National Gambling Board and Provincial Gambling Boards are inconsistent resulting in increased costs and inefficiencies. Inconsistencies also exist amongst the various provincial boards that have different licencing conditions, duration of licences and processes and different gambling taxes and levies (National Gambling Board of South Africa, 2013).

The horseracing industry is also impacted by strict controls on the export of SA horses overseas as a result of African Horse Sickness (AHS). The onerous export protocols, that are currently in place, results in SA horses being sold for 25% of their value (Wits Health Consortium, n.d.).

2.3.1.2. Economic

Horseracing plays a significant role in the South African economy. According to (Economics Information Services, 2011), the contribution includes:

- in excess of R2.7bn per annum to the gross domestic product.
- through taxation on bets and VAT payments, over R160m to the provincial and national government.

The table below shows Gold Circle’s contribution from horse racing to the Provincial GDP from April 2014 to March 2015 which amounts to R1, 88bn, R78m of which goes towards taxes.

MONTH	HORSE RACING			RUNNING TOTAL		
	TURNOVER	TAX	GP	TURNOVER	TAX	GP
2014/15						
Apr	138 492 007	5 381 338	20 215 219	138 492 007	5 381 338	20 215 219
May	148 102 838	6 047 596	19 198 994	286 594 845	11 428 934	39 414 213
Jun	143 849 758	5 718 477	19 083 376	430 414 603	17 147 411	58 497 589
Jul	151 689 801	7 642 746	11 923 276	582 104 404	24 790 157	70 420 865
Aug	166 319 532	6 709 328	18 557 314	748 423 936	31 499 485	88 978 179
Sep	156 080 658	6 398 824	15 577 124	904 504 594	37 898 309	104 555 303
Oct	163 298 557	6 672 001	18 287 163	1 067 802 751	44 570 310	122 842 466
Nov	164 731 001	6 753 699	15 682 775	1 232 533 752	51 323 311	138 525 241
Dec	161 302 916	6 467 759	18 763 957	1 393 836 668	57 791 070	157 288 298
Jan	176 694 419	7 536 621	9 863 636	1 570 531 087	65 327 691	167 151 934
Feb	148 218 738	6 100 959	13 559 372	1 718 749 825	71 428 650	180 711 306
Mar	164 606 388	6 701 432	18 354 597	1 883 356 213	78 130 082	199 065 903
	1 883 356 213	78 130 750	199 065 903			

Figure 2.1 Horse racing contribution to Provincial Tax and GDP

Adapted from (Kwazulu Natal Gambling Board, n.d.) Statistical Information: Horse racing figures as at 31 March 2015

The industry is labour intensive, creating employment for over 100 000 people (Economic Information Services, 2011). However, changes in monetary policy, increased interest rates, inflation rates and exchange rates, all impact on revenue streams resulting in less funding towards horse racing, lower contribution to GDP, taxes and job creation. It is important to note that the industry is reliant on a consumers’ disposable income for which there are many competitors.

In addition, the cost of keeping thoroughbreds in training is escalating at a higher rate than CPI and certainly at a far higher rate than any increase in prize money. This is mainly due to the costs of feed, labour and veterinary services.

2.3.1.3. Social

Perceptions of horse racing (Courier-Journal, 2014)

Horse racing is generally perceived by the majority of the public and a number of stakeholders to be a form of betting as opposed to a bona fide sport in its own right. Perhaps as a consequence of reduced 'free to air' television coverage, the complexity of the betting products and/or a concern as to racing's integrity, the sport is not viewed positively by a great number of South Africans as well as the Corporate market, i.e. horse racing comes across as either a 'second division' or fringe sport. This not only inhibits the betting potential of the sport but certainly is a barrier of entry of new owners (investors) and impacts negatively on the industry's ability to attract sponsorship from a broad base of corporate with a massive variety of global sport available.

'Free to air' television channels and the media have reduced their coverage of horse racing and as a consequence Racing has to pay, rather than be paid (like other sports), for any coverage it receives (e.g. The Vodacom Durban July).

Demographic base of racing ownership

Horse racing is still viewed as being "white and elitist" by the authorities and efforts to introduce "black" owners, members and trainers have thus far been unsuccessful (Kamau, 2013). The reduced popularity of horse racing combined with escalating costs and the availability of other 'status' driven activities, has resulted in a perpetuation of the traditional ownership demographic as being primarily white and wealthy. There is an imperative to encourage a broadening of this profile if only to persuade the regulatory bodies of the continued relevance of horse racing in contemporary South Africa. The Gambling Boards have further imposed this need to transform as a condition for licencing. The reality is that owning of horses is driven by a passion for the sport of horse racing and not by financial rewards as owners in South Africa, as a collective "lose" in excess of R300m annually.

Racing enthusiast base is ageing and not being renewed (Iwase, et al., 2012)

The demographic profile of the industry's end customer base of betting product and services is aging. Availability of discretionary income varies according to life stage. Proportionately, young (childless) adults and post-children adults have greater discretionary spending power. It is vital that the industry attracts younger and family stage punters but this will require a change in the traditional approach given that the younger demographic is a more hedonistic, instant gratification, football and sport, technologically driven base.

2.3.1.4. Technological

Technology impacts the racing, betting and services sectors of the industry through improvements or lack thereof in techniques, processes, implementations etc. Technology has greatly contributed to the growth in other forms of betting and in order to remain competitive, the industry must stay abreast of the latest technological developments and innovations especially if it wishes to attract the young, tech savvy market. Accessible, effective and affordable technology combined with increasing urban mobility challenges will result in a less face-to-face dependent world.

2.3.1.5. Environmental

Environmental factors do have an impact on the horse racing industry as was the case leading up to the sale of the Clairwood Racecourse. Zoning regulations initially prohibited the sale. In addition, concerned residents in the area protested against the sale for fear that the area would become more commercialised (Carnie, 2014). Many of these residents used to in the past, complain about too many flies as a result of the horses. Similarly, an area within Kenilworth Racecourse, in the Western Cape has been demarcated as conservation land, prohibiting any form of commercialisation from taking place there, including horse racing.

Changes in the weather affect racing. In the past, jockeys were unable to ride during rainy conditions or immediately following heavy rains. With the new polytrack (all weather-track) at Greyville, this need no longer be the case.

The changing nature of the Durban CBD/Berea as an operating environment for the core business is also a challenge for the racing operator. The decline of South Africa's city centres and the development of transitional residential areas, around the CBD, are well documented. In the case of Durban there has been a major influx of cultural groups in the immediate vicinity of Greyville that may not support the strategic objectives of the company.

There is increasing emphasis being placed by consumers on sustainable and equitable and equitable practices and a concern as to the social citizenship contribution by big business.

2.3.1.6. Legal

Legal factors have a significant impact on the industry and the company. In addition to normal company tax, the operator is also required to pay betting/provincial taxes as per legislature. Issues relating to stakeholder relations, safety regulations etc. do tend to arise from time to time. Some of the material legal cases of late include:

- Competition regulations – the Western Cape region was up until July 2013, part of Gold Circle. Gold Circle could not continue to fund the losses incurred by the region any longer and the parties agreed to a demerger. However, the Western Cape would not be able to survive on their own and for the benefit of the industry, it was agreed that Phumelela would take control of the Western Cape. This was however initially judged to be anti-competitive. Further to a long court battle, it was finally decided that the Western Cape Region (now Kenilworth Racing) will be owned by the Thoroughbred Racing Trust, which is a 32.5% shareholder in Phumelela Gaming and Leisure. It was also agreed that Phumelela will manage Kenilworth Racing via a management agreement (Government Gazette 35232, 2012).
- The Bookmaker/Tellytrack issue has been on-going for the last 2 years and still no agreement has been reached. The operators are of the view that the bookmakers

contribution to Tellytrack for access to intellectual property should be increased in line with the benefit derived. This is also due to the pressures placed on the operators by International operators to increase their costs which the local operators believe should be passed on to the bookmakers (Sporting Post, 2014). Suffice to say, the bookmakers have a contrary perspective.

- Constitutional law - The dispute between the Bookmakers and the racing operators regarding the formers contribution to racing as well as the sale of the open bet (Sporting Post, 2014). The operators believe that the bookmakers should contribute more towards stakes and the overhead expenses incurred to stage races. The open bet is a term used to determine the winnings payable to the punter after the race has run, an amount as determined by the totalisator. The bookmakers are legally allowed to sell the open bet however, the operators have been challenging legislation for many years as the belief is that millions of rands are channelled through bookmakers that would otherwise be spent on the totalisator and as such channelled back into horse racing. Based on the above, it is important for the operator to stay abreast of changes to legislation that will impact the industry and the company.

Based on the above analysis, it is evident that the horse racing industry is impacted by political, economic, socio-cultural, technological, environmental and legal factors.

2.3.2. Porter's Five Forces (Porter, 1979)

Porter's Five Forces Model is most frequently used to ascertain the level or intensity of competition that exists in an industry or within an organisation. The five forces are reflected in figure 2.2. below:

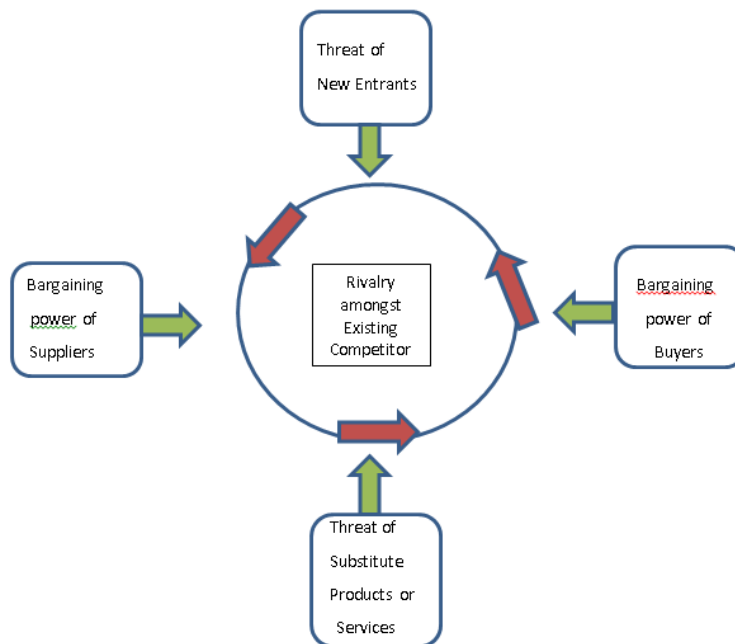


Figure 2.2 Five Forces that Shape Industry Competition
Adapted from (Porter, 2008)

The five forces are analysed below from an industry perspective. In addition, as explained in figure 1.5., the racing operators impact horse ownership through betting and stakes paid. Since Gold Circle is the racing and totalisator operator in KZN, the five forces are also analysed from a company perspective.

2.2.2.1. Threat of New Entrants

This force is an indication of how easy (or not) it is to enter a particular industry. An industry is less profitable if few barriers to entry exist as rivalry amongst competitors is high. The threat of new entrants in terms of owning race tracks within South Africa is low due to the high costs involved. In addition, the regulatory environment requires that a racing operator possess a racing operator licence to race horses and a

totalisator licence to sell bets. At present, there are only two racing operators in SA, Gold Circle and Phumelela Gaming and Leisure.

2.2.2.2. Threat of Substitute Products or services

This threat is high when buyers can easily substitute an industry's product or service for an alternative, cheaper and better quality product. The threat of substitutes is very high in the horse racing industry and substitutes include other gaming alternatives such as casinos, lotteries, bookmakers, on-line betting, sports betting, betting exchanges, as well as other entertainment options such as movies, sports events, concerts. Although on line gambling is currently illegal in South Africa, proponents in favour of on line gambling are lobbying to legalise it in the near future. This will undoubtedly have a negative effect on the discretionary spend of customers who bet on horse racing. The high threat of substitutes leads to lower profits.

2.2.2.3. Rivalry among existing competitors

Profitability is determined by the level of rivalry amongst existing competitors. High rivalry leads to lower profits. Kenilworth Racing is managed by Phumelela Racing, so effectively there are only 2 main racing operators in South Africa. Although it is believed that Phumelela have a strong desire to take over racing in South Africa in its entirety, it will be very difficult to achieve this in light of the Competition laws in South Africa.

Rivalry does exist between both operators however both operators do have common interests and accordingly have agreements in place that benefit both companies. These include the comingling of pools, the sale of local product internationally, and the National Racing Bureau.

The horse racing industry is in constant competition with other forms of gambling and entertainment for a customer's disposable income. This intense rivalry leads to lower profits.

2.2.2.4. Bargaining power of buyers

An organisation or industry will achieve lower profits if the bargaining power of buyers is strong thereby demanding lower prices or higher quality products which will increase production costs. The buyers in the betting industry are the punters. They are the lifeblood of the industry. Punters analyse various factors in an attempt to select and bet on the winning horses. Unlike many of the other gaming activities, there is a level of skill involved in predicting the outcome of a horse race. Newcomers to the industry often find this lack of knowledge and skill overwhelming and it can be a deterrent to betting. Punters are able to switch from horse racing to other forms of betting and entertainment very easily and hence their bargaining power is relatively high. The high bargaining power of punters contributes to the low profits attained by the industry.

2.2.2.5. Bargaining power of suppliers

A firm/industry's profitability is negatively impacted by suppliers who have strong bargaining power as the supplier can increase the price of the product or service and/or provide low quality products. The suppliers in the horse racing industry are the suppliers of the horses which will include the breeders, owners, trainers and jockeys. On the gaming/betting side, the suppliers include agents who own outlets selling bets on behalf of the operator in return for a commission. It is necessary for the company to maintain a high level of stakeholder satisfaction with these individuals. Issues that affect these individuals include stake levels (prize money), condition of race tracks, training and stabling facilities and frequency and types of races. The suppliers to owners and breeders include, trainers, jockeys, vets, farriers, shoeing and feed suppliers and their bargaining power is high as there is generally a limited supply of good quality service providers. The high bargaining power of suppliers within the horse racing industry leads to lower profits.

An industry is less profitable when competitive forces within the industry are stronger. The distinction between an attractive and unattractive industry based on these competitive forces is reflected in the table below:

Table 2.2 An Attractive Industry versus an Unattractive Industry

Adapted from Porter, 2008. **The Five Competitive Forces that shape Strategy**. Harvard Business Review

Force	Attractive Industry – High Profits	Unattractive Industry – Low Profits
Barriers to Entry	High	Low
Suppliers Bargaining Power	Weak	Strong
Buyers Bargaining Power	Weak	Strong
Substitute Products or Services	Few	Many
Competition	Low	Intense

2.3.3. SWOT Analysis (Hough, et al., 2011, p. 120)

The acronym SWOT stands for, Strengths, Weaknesses, Opportunities and Threats and is used to analyse the internal and external factors impacting a business. The following is a SWOT analysis of the horse racing industry:

Table 2.3 SWOT analysis of the horse racing industry

<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"> • Horse racing legacy dating back to 1800's • Flagship events e.g. The Vodacom Durban July & The Gold Cup etc. • Good quality racing surfaces • World class synthetic racing surfaces – increase track utilisation • World class apprenticeship academy – SAJA • Tellytrack television (racing) channel (distributes content) • Horse racing database information (National Racing Bureau) 	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Negative perceptions of horse racing (Racing Commissioner's International, 2016) • Poor on course patronage (except for special events) minimal gate revenue • Lack of heroes – equine and human • Racing is no longer 'sexy' other than on Vodacom July day • Racing facilities/infrastructure is outdated and unappealing to the young market • Ageing racing/punter/owner community
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"> • Delivering greater value to sponsors • Improve the on-course racing experience • International revenue from betting product and sale of horses • Improve stakeholder management/ engagement / relations • Bloodstock sales – high quality of horses • Improve regulation of the sport of horse racing 	<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"> • Renewal of licence dependant on proof of transformation • Rising cost – declining revenues • Aggressive and innovative gaming opposition – casinos' bookmakers etc. • Online gaming legalised • Economy – reduction in discretionary income • Sustainability and environmental practices • Phumelela hosting / dominance • Annual renewal of Racecourse licence by KZN Gaming and Betting Board • Large number of owners have left the industry • Decrease in number of horses catalogued at yearling sales • Polarisation – number of participants have reduced • Reduction in horses inhibits adequate field sizes of 11/12 • Powerful owners/breeders dominating the industry

2.3.4. INDUSTRY LIFE CYCLE

In order to determine and implement the appropriate turnaround business strategy, it is important to understand the concept of the industry life cycle and to determine the phase of the life cycle in which the industry is operating. The industry life cycle traditionally comprises four phases, emerging, growth, maturity, and decline, as reflected in the diagram below, and each phase demands a new, innovative business strategy.

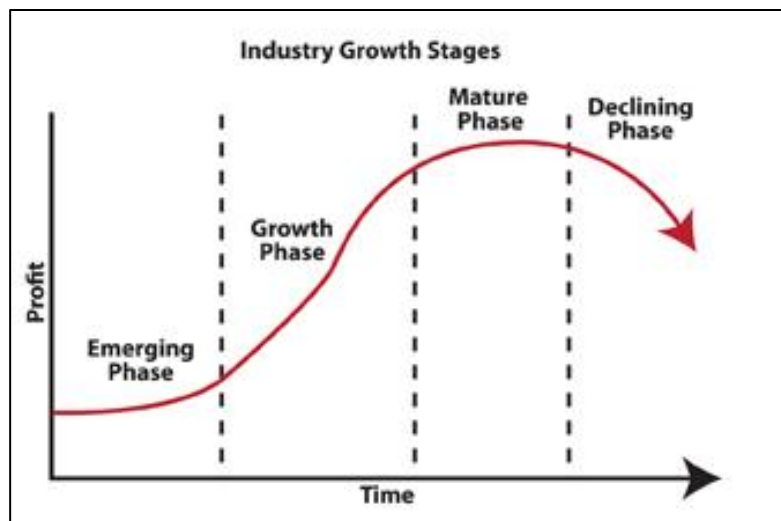


Figure 2.3 Phases of the Industry Life Cycle

Adapted from (Porter, 1980)

At the emerging or introduction phase sales are generally slow, taking off rapidly during the growth phase, leveling out at maturity, and then gradually declining at the declining phase.

Existing literature does not seem to provide an absolute definition of what constitutes a declining industry however some names for declining industries, include “bear markets” (Schreuder, et al., 1991) and “stalemate industries” (Calori & Ardisson, 1988). A “stalemate industry” is one where competitive advantages are few, technological knowledge is widely spread and firms rely on price competition. (Porter, 1980), state that industries in the declining stage must develop end-game strategies, in order to survive.

2.3.4.1. Causes of a Declining Industry

The table below illustrates factors that could contribute to a declining industry:

Table 2.4 Causes of a Declining Industry

Adapted as noted

Factor	Impact	Reference
Technological substitution	Rapid technological innovation renders some products old which in turn affect sales	(Porter, 1980)
Demographic changes	Changes in target customer groups e.g. shrinkage of end-buyers	(Porter, 1980)
Shift in Needs	changes in the buyers' needs or tastes, possibly due to sociological factors, e.g. buyers perception of racing and gambling	(Porter, 1980)
Cost of Inputs	Increased costs reduces profitability	(Harrigan & Porter, 1983)
Complementary Products	These are products and services which add value to the original product when it is used. Growth in complementary products increases demand for the original product and vice versa.	(Harrigan & Porter, 1983)
Slower growth	Slower growth leads to industry decline	(Hall, 1980)
Regulation	Government regulations can become a barrier to entry and hence result in a decline	(Hall, 1980)
Higher inflation	Higher inflation can lead to job losses and industry decline	(Hall, 1980)
Intensified Competition	Results in price reduction and industry decline	(Hall, 1980)

In this phase, sales are decreasing at an accelerating rate an industry participants will generally leave the industry (Porter, 1980). According to research as discussed in the sections below, the horse racing industry both in SA and globally, currently finds itself in the declining phase.

2.4. THE STAKEHOLDERS IN HORSE RACING

Horse racing is a passionate business in a very complex and unique industry which does not resemble other industries (Dreyer, 2014). It is diverse comprising several interrelated activities and its supply chain comprises many inputs and outputs which include:

2.4.1. The National Horse Racing Authority of South Africa (NHRA)

The NHRA, previously known as the Jockey Club of SA, is the regulatory body that governs thoroughbred horse racing in SA and Zimbabwe (National Horseracing Authority, 2016). They maintain and promote the highest international standards of integrity and licensing of the sport of thoroughbred horse racing and breeding, by formulating and enforcing rules.

The NHRA maintains and publishes the General Stud Book for SA. Prior to racing, a thoroughbred horse must be registered with the NHRA (National Horseracing Authority, 2016). Owners, breeders, trainers and jockeys must also register with the NHRA. The NHRA is a founder member of the International Federation of Horseracing Regulators.

2.4.2. Breeders

Breeders are the first link in the supply chain. 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 pedigrees, coverings and foaling down (Gauci, 2010). A successful breeder must have a widespread knowledge of animal welfare issues, pedigrees, business management and the rules and regulations relating to thoroughbred horse 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 regulation is maintained by the NHA. KZN once had a thriving breeding industry however there are indications that the breeding sector of the industry is also

facing challenges. Of concern is the fact that the number of registered horse breeders in KZN has declined by 31% from 2010 (164) to 2014 (113) (National Horse Racing Authority, 2016).

2.4.3. Owners

Owning 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 your investment will "strike gold" (KZN Breeders, 2015). Although the risks are high, the rewards both financial and emotional can be substantial (Thoroughbred Breeders Association, 2015).

Racehorse ownership was once the preserve of the rich but that is no longer the case as owners now come from diverse backgrounds, with varying motivation for owning horses (Ed Dunlop Racing Limited, 2016). 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 own horses. Every owner has to be registered with the NHRA of SA (KZN Breeders, 2016) and, on the acceptance of his/her application, may obtain his/her individual 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 includes 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 (Racehorse Owners Association, 2016). The disadvantage is that one bears all the risk and costs (Thoroughbred Breeders Association, 2015).
- (ii) Partnerships – ownership becomes more accessible because costs can be shared, owners can spread their investment and share in more than one horse. The benefits and the experience are also shared. Partners can jointly choose the colours/silks for their partnership or can race in the colours of an individual member (Racehorse Owners Association, 2016).
- (iii) Syndicates – comprise between five and twenty people. It is a low-cost option, allowing owners to invest in a number of 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 (Thoroughbred Breeders Association, 2015).

- (iv) Companies, Close corporations and Trusts can also register with the NHRA as owners (Thoroughbred Breeders Association, 2015).

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 of time (Thoroughbred Breeders Association, 2015).

2.4.4. Trainers

In SA, as is the case throughout the World, most individuals become trainers because of a 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 of 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 the NHRA.

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 race tracks 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 include 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 percent of all prize money won by the horses that they train.

2.4.5. Jockeys

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 a professional jockey 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 (The South African Jockey Academy, 2007)

In order to participate 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 may be suspended during which time he does not earn income.

Jockeys can gain fame and popularity especially through the possibility of riding in big races like the Durban July Handicap. 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 either during work riding / training or during races (The South African Jockey Academy, 2016).

2.4.6. Operators

The structure of the two thoroughbred racing operators in SA, Gold Circle (Pty) Ltd who control racing in (KZN) and PGL, who control racing in the remainder of the provinces are different. PGL is a listed company on the Johannesburg Stock Exchange (JSE) whereas Gold Circle operates under a club structure in terms of its constitution which is governed by its members.



Figure 2.4. Gold Circle logo
Adapted from Gold Circle website
www.goldcircle.co.za



Figure 2.5. Phumelela logo
Adapted from Phumelela website
www.phumelela.com

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. Pierre Oller, a French businessman introduced the pari-mutuel betting system in 1865 (Thompson, 2001, p. 289). All bets of a particular type are pooled together in a pari-mutuel betting system. Deductions are made in respect of taxes and the operators' 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 to trainers and jockeys on behalf of owners.

Breeders, owners, trainers, jockeys, operators and regulators all play an important role in the industry. The relationships that exist in this multi-faceted industry are depicted in figure 2.4. below:

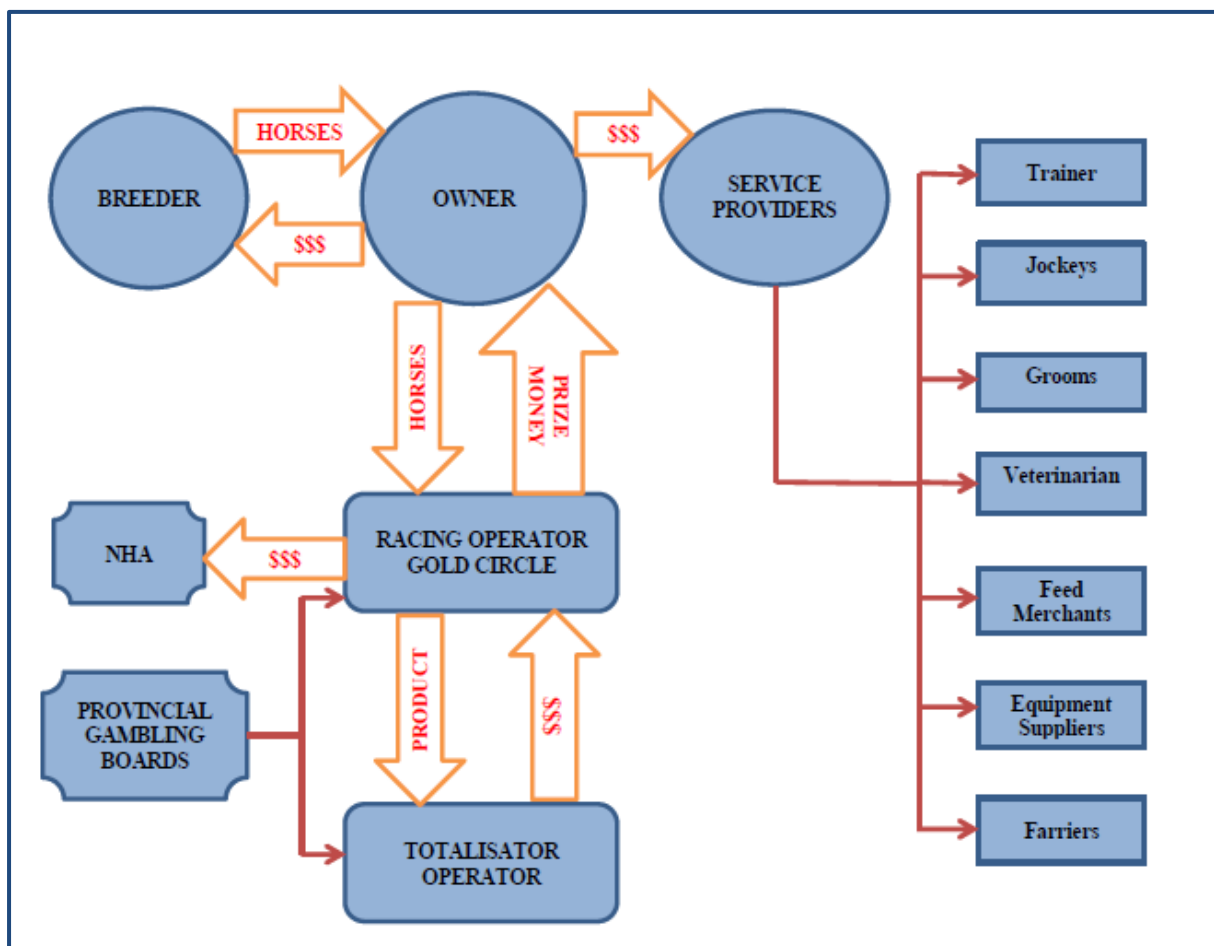


Figure 2.6 The Structure of the Horse Racing Industry in SA
Adapted from (Economic Information Services, 2011)

As noted from the above diagram, the investment provided by race horse owners is the major driver of economic activity within the industry. Owners support the direct economic activity of training and breeding operations as well as the indirect economic activity of betting. These activities lead to the employment of thousands more people who provide auxiliary services to the industry. These include inter alia; jockeys, veterinary services, regulators, feed suppliers, bedding suppliers, farriers, educational establishments, transport providers, insurance providers and many more. Owner's financial return on their investment comes from prize money (stakes) that they derive when their horse wins or places. They may also obtain a return from breeding income and the sale of horses in training. The relative attractiveness of this return determines the long term success of the industry (Economic Information Services, 2011).

The relationship between owner, breeder, trainer and betting turnover, as reflected in the diagram below, is a self-perpetuating cycle (Irish Thoroughbred Breeders Association, 2013):

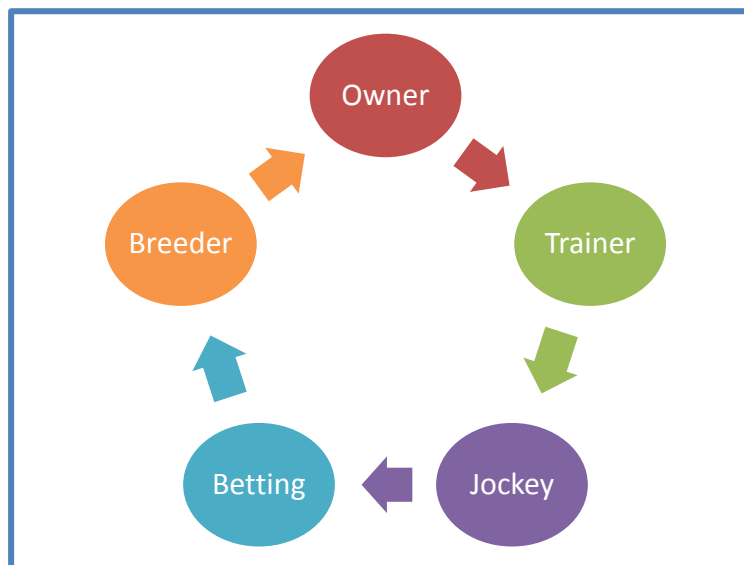


Figure 2.7 The Horse Racing Cycle
Adapted from (Irish Thoroughbred Breeders Association, 2013)

As illustrated in the diagram above, the various stakeholders of racing are inter-related. Accordingly, factors impacting one stakeholder ultimately impacts the entire cycle. Revenues from betting are transferred back into racing making the horse racing industry predominantly self-funding. A decrease in betting revenue can lead to an overall reduction in investment in the form of prize money, yearling (young horse

between one and two years old) sales and stallion fees. This can further lead to a reduction in foal production and levels of training activities which in turn can lead to lower quality races and therefore reduced betting turnover.

Growth in revenues generated from betting over the last 2 decades, has been inhibited by internal and external factors, and hence unable to sustain the high costs of funding racing. The impact of declining betting revenues is further illustrated in the diagram below:

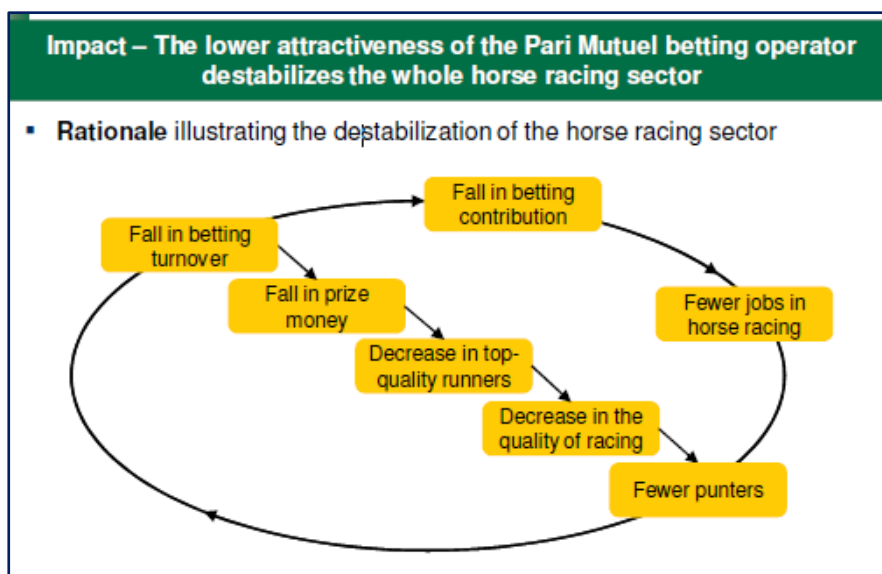


Figure 2.8 Impact of fall in betting turnover
Adapted from (European Pari Mutuel Association, 2009)

There is a clear correlation between the horseracing sector and betting turnover. The main source of funding in the industry is revenues generated from betting. While most sports are financed by households, “match-day contributions”, and broadcasting rights, horseracing is 75% financed by betting and 25% funded by owners.

2.5. HORSE RACING IN THE GLOBAL ENVIRONMENT

Extensive research exists in international markets which detail the industries’ contribution to their respective economies. These include amongst others, Europe as detailed in the European Pari Mutuel Association (2009), Great Britain as detailed in Deloitte (2013) and Australia as detailed in the Australian Racing Board (2011).

Over the last few decades, horse racing has been declining globally as noted in British Columbia Horse Racing Industry Management Committee (2013). Countries such as British Columbia, North America and Canada have raised concerns. According to McManus, et al. (2012), the global horse racing, thoroughbred breeding and gambling industry was worth several hundred billion dollars but the possibility of an economic decline in horseracing is portentous.

2.5.1. Britain

According to Gribben (2015), regarding the British Horseracing industry, the horse racing industry is facing “a race against time.” The industry is experiencing financial pressures, a decline in betting, fewer owners and the number of horses in training has dropped. The horse racing industry in the United Kingdom employs 86 000 people thereby contributing £3.5bn to the economy, and generates £10bn in betting income.

However, during the period 2007 to 2013, the number of horses in training dropped by 7%, the return to owners had dropped resulting in the exit of 15% of sole owners. Only 40% of trainers are making money (British Horseracing Authority, 2015).

2.5.2. British Columbia - Canada

There has been a decline in horse racing throughout North America and British Columbia over the last few decades. All industry stakeholders, i.e. owners, breeders, trainers, track operators and racetrack employees strived to work together to ensure the sustainability of the industry (British Columbia Horse Racing Industry Management Committee, 2013).

Horse racing was the only legal gambling option available to citizens in Canada for many years however the introduction of casinos has resulted in traditional horse racing fans abandoning the tracks in favour of the competition (British Columbia Horse Racing Industry Management Committee, 2013).

2.5.3. United States of America

According to Liebman (2010), in 2008 thoroughbred racing in the USA declined nationally by 7.3%, in 2009 by 9.8% and by 8.4% in the first quarter of 2010. Horse racing in New York State, in 2009, fell by more than 10% and if one takes changes in the consumer price index into account, New York racing was almost 20% less than in 1974.

2.6. HORSE RACING IN THE SOUTH AFRICAN ENVIRONMENT

The industry's growth or lack thereof is impacted by both internal and external factors. There are two racing operators in SA, Gold Circle (Pty) Ltd, who operate racing in KZN and PGL who operate racing in the remaining provinces. Pienaar (2007) describes this scenario as an oligopoly which is a market wherein limited competition exists. Ironically, this is not the case. The battle for a customer's disposable income places the sport in direct competition with other forms of gambling and entertainment.

In many parts of the world, SA included, revenues generated from horse racing have declined significantly. Betting on horse racing, prior to 1996, was the only form of legal gambling in SA. The political landscape changed since the onset of democracy in 1994, and this together with changes in legislation and the regulatory framework has a profound impact on the horse racing business. Competition from other forms of entertainment and wagering such as the introduction of the national lottery, casinos, limited pay-out machines and bingo outlets has resulted in lower returns to betting on horseracing (Nzimande, et al., 2010).

The regulators acknowledged that the application of policies, acts and regulations were currently implemented in a fragmented manner which resulted in uncertainties, inconsistent service delivery standards in terms of the issuance of trading licences and increased costs (Department of Trade and Industry, 2014).

The proliferation of other forms of gambling has been the major contributor to the decline in betting on horse racing. According to National Gambling Board of South

Africa (2013), in 2012 households propensity to spend R 100 on gambling could be disaggregated into the various gambling modes as illustrated in table 2.1 below.

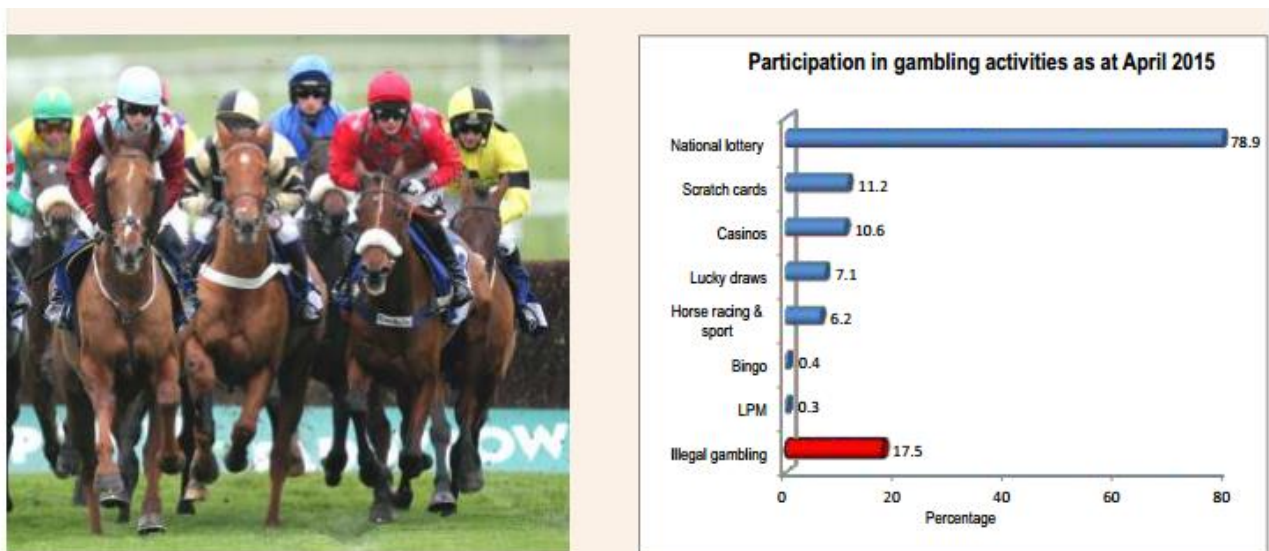
Table 2.5 Disaggregating R 100 spend on various Gambling modes

Adapted from (National Gambling Board of South Africa, 2013)

Gambling Modes	Allocation of R100 spend
Casinos	R 71.10
Bingo	R 1.00
Horse/Sports Betting	R 10.30
Limited Payout Machines (LPM's)	R 5.70
National Lottery	R 11.90
TOTAL	R 100.00

Horse/Sports betting retained 10.3% of the market share in 2013 but as noted from the figure below, the market share has reduced to 6.2% as at April 2015.

Figure 2.9 Proportion of spend on various modes of Gambling



Adapted from (National Gambling Board SA, 2015)

Sports betting, according to Price Waterhouse Coopers (2014), is the second largest category of GGR, if one discounts the national lottery. Sports betting comprises, betting on sporting events as well as betting on horse racing. Sports betting accounted for 13% of total GGR in 2013 and increased to 14% in 2014 (Pricewaterhouse Coopers (PWC), 2015). In 2010, 82% of GGR was generated from

horse racing. In 2013, horse racing was still the dominant category at R1.8 billion, however its percentage share dropped to 65% of gross sports gambling revenues and reduced further to 54% in 2014. According to Pricewaterhouse Coopers (2015), sports betting is likely to overtake horseracing by 2017, accounting for 57% of the market by 2019 compared with 46% in 2014 and only 18% in 2010.

The table below illustrates the revenue generated from sports betting over the period 2010 to 2014 and a forecast for the period 2015 to 2019.

Table 2.6 Sports betting on Horse racing compared to betting on other sporting events

Source: National Gambling Board of SA (Pricewaterhouse Coopers (PWC), 2015)

	Historical Data					Forecast Data				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Horseracing	1 651	1 675	1 750	1 830	1 881	1 930	1 980	2 035	2 095	2 160
% Change	17.0	1.5	4.5	4.6	2.8	2.6	2.6	2.8	2.9	3.1
Sports betting	352	478	847	1 004	1 582	1 550	1 735	2 050	2 800	2 850
% Change	81.4	35.8	77.2	18.5	57.6	-2.0	11.9	18.2	36.6	1.8
TOTAL	2 003	2 153	2 597	2 834	3 463	3 480	3 715	4 085	4 895	5 010
% Change	24.8	7.5	20.6	9.1	22.2	0.5	6.8	10.0	19.8	2.3

As noted from the above table, growth in horse racing has been limited to less than 5% annually between 2010 and 2014 as horse racing is a relatively mature market whereas sports betting, through the proliferation of sports betting shops, and online wagering has been expanding rapidly, rising by 18.5% in 2013 and a massive increase of 57.6% in 2014. Pricewaterhouse Coopers (2015), forecast that sports betting will exceed horseracing in 2017 and horse racing will reduce to 43% of the market.

Further to the distinction between betting on horse racing as compared to betting on all other sporting events, there is a need to distinguish between betting on horse racing through a bookmaker as compared to betting on horse racing through the totalisator. The table below distinguishes between return to bookmakers and the totalisator on horse racing and other sporting events.

Table 2.7 GGR on betting between bookmaker and totalisator (R millions)

Statistics as provided by the National Gambling Board as reported on by (Bescoby, 2013)

	2009	2010	2011	2012	2013
Bookmaker	501	589	742	1010	1421
Horse racing	411	370	442	541	694
Sports Betting	90	219	300	469	727
Totalisator	1101	1097	1219	1231	1450
Horse racing	1059	1067	1173	1182	1297
Sports Betting	42	30	46	49	173

The graphs below, clearly reflects the growth in bookmakers in SA as compared to the totalisator.

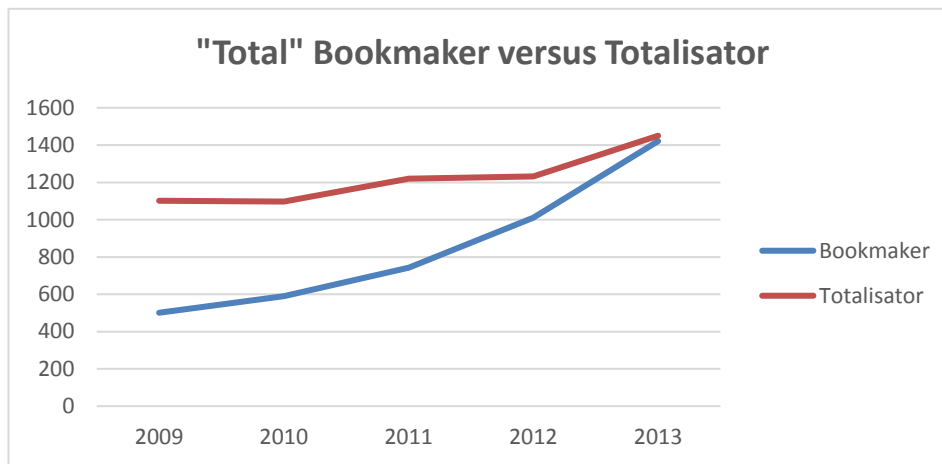


Figure 2.10 Growth in Bookmaker betting as compared to Totalisator betting
Adapted from statistics as provided by the National Gambling Board as reported on in SA Racing Fact book 2012/13

As noted from the graph above, there has been gradual growth in betting through the totalisator between 2009 and 2013 however the growth in betting through the bookmaker has been rapid and significantly higher.

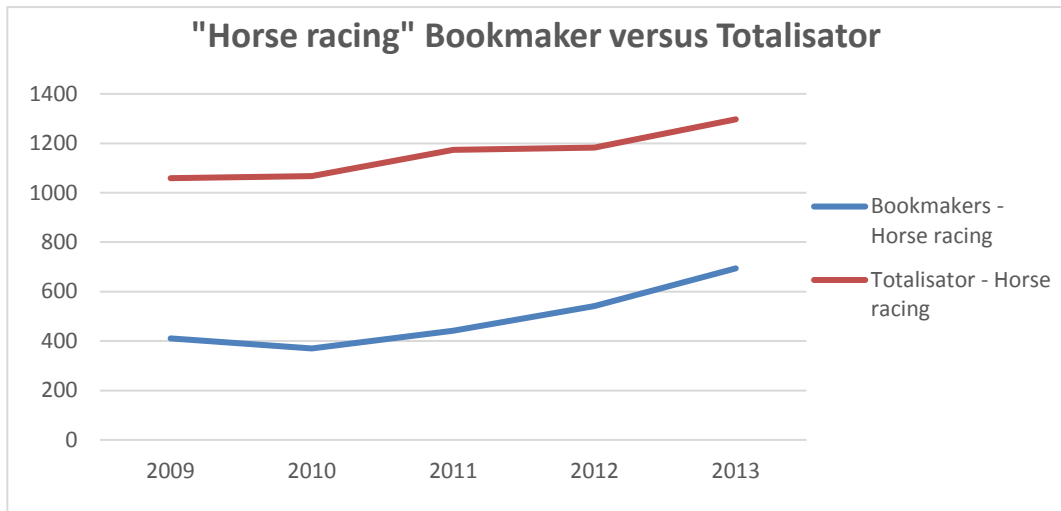


Figure 2.11 Growth in Bookmaker betting on Horse racing as compared to Totalisator betting on horse racing

Adapted from statistics as provided by the National Gambling Board as reported on in SA Racing Fact book 2012/13

As noted from figure 2.6, betting on horse racing through the bookmaker is far less than betting on horseracing through the totalisator. However, betting on horseracing through the bookmaker is growing at a faster rate, than through the totalisator.

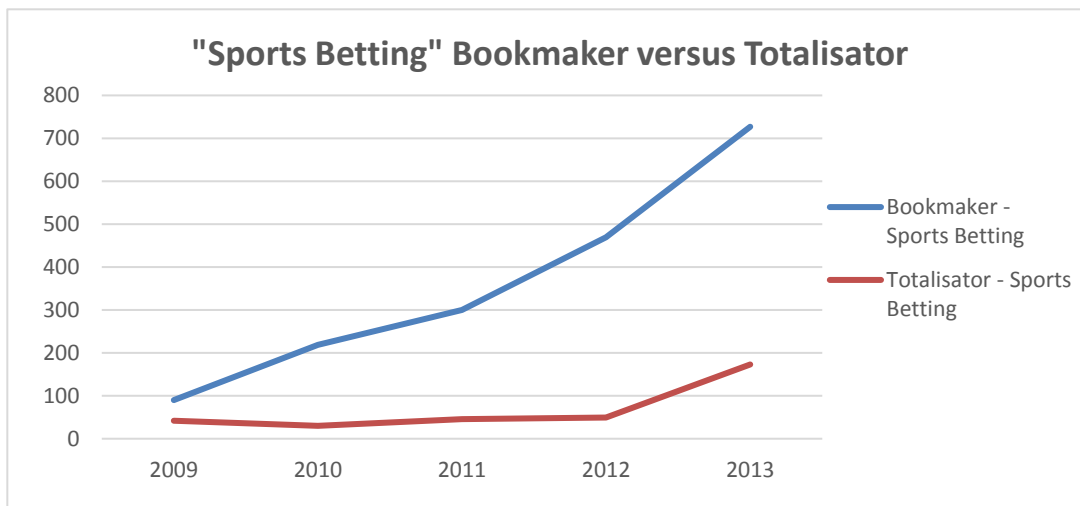


Figure 2.12 Growth in Bookmaker betting on other sporting events as compared to Totalisator betting on other sporting events

Adapted from statistics as provided by the National Gambling Board as reported on in SA Racing Fact book 2012/13

The growth potential in sports betting on other events has only been exploited by the totalisator since 2012 whereas growth by bookmakers since 2009 has been increasing rapidly.

2.7. HORSE RACING IN KWAZULU-NATAL

The table below illustrates the contribution of betting from both the bookmakers and the totalisator, on horse racing in SA per province.

Table 2.8 GGR for betting on horse racing by province (R millions)

Adapted from (Pricewaterhouse Coopers (PWC), 2015) & (Pricewaterhouse Coopers (PWC), 2012)

PROVINCE	2011	2012	2013	2014	% Change 2011/12	% Change 2012/13	% Change 2013/14
Gauteng	547	641	646	761	17%	1%	18%
KZN	648	549	564	520	-15%	3%	-8%
Western Cape	150	203	192	198	35%	-5%	3%
Eastern Cape	135	148	164	170	10%	11%	4%
Free State	47	62	64	55	32%	3%	-14%
North West	53	55	90	59	4%	64%	-34%
Limpopo	56	42	71	82	-25%	69%	15%
Mpumalanga	31	33	33	30	6%	0%	-9%
Northern Cape	8	17	6	6	113%	-65%	0%
Totals	1675	1750	1830	1881	4%	5%	3%
KZN Contribution to Total	39%	31%	31%	28%			

As noted from table 2.4, annual increases in growth from a national perspective, has been low, averaging 4% between 2011 and 2014. KZN was the leading horse racing province with a GGR of R648m in 2011, followed by Gauteng with a GGR of R 547m. However, since 2012, Gauteng has overtaken KZN with Gauteng revenues increasing year on year. Revenue from KZN has reduced from R 648m in 2011 to R 520m in 2014 resulting in an overall decrease of 20%.

Having established the problem that exists, the next step was to present a discussion on the impact of the problem. In order to achieve this, the researcher reviewed the economic impact of racing, through the aggregate level of direct and indirect expenditure.

2.8. COMPONENTS OF ECONOMIC IMPACT

Economic growth is seen as the fundamental driver of social and human development (Provincial Planning Commission - Province of Kwazulu Natal, 2013). The KZN Gambling Board (2010), states that the horse racing industry's contribution to the economic and social development of SA is significant.

According to Deloitte (2013), the components used to determine the economic impact of an industry can be illustrated as per figure 2.11 below:

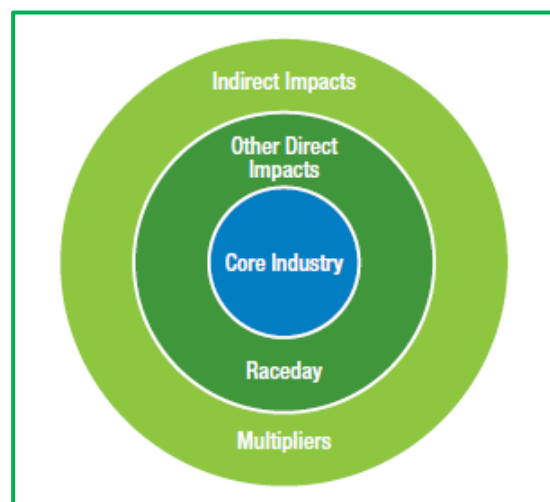


Figure 2.13 Components of Economic Impact
Source: (Deloitte, 2013)

- (a) The Core industry – includes direct expenditure incurred by punters, racing operators, owners, trainers, breeders and regulatory bodies.
- (b) Other direct impacts on race days – relates to additional race day expenditure incurred by race goers such as food, transport and admission fees.
- (c) The Multiplier effect / Indirect impact – quantifies the flow through effect of direct expenditure e.g. business to business expenditure (i.e. expenses incurred in the ordinary course of business, ancillary cost) and consumer expenditure (i.e. recipients spending income they have received from racing, elsewhere in the economy).

2.9. THE ECONOMIC IMPACT OF HORSE RACING

Measurement of an economic sector can take place on a:

- Internal or Institutional level or
- External or Macro-economic level

The current study is based on macro-economic effects which encompasses the following key economic variables:

- Gross domestic product (GDP)
- Employment
- Taxes & Levies

In ascertaining the industry's contribution to GDP, employment and taxes, the multiplier effect must be considered. The multiplier effect is a measure of additional economic production, taxes and employment taking cognisance of economic flows between sectors e.g. the gambling sector and the security or beverage industries. The multiplier effect is the spill over of a sector (National Gambling Board of South Africa, 2013)

2.9.1. Impact of the Horse Racing Industry on Gross Domestic Product (GDP)

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 a given period of time (normally one year). GDP is calculated by measuring the monetary value of all final goods and services produced, within the country and includes, the sum of value added at each intermediate stage of production.

According to National Gambling Board of South Africa (2013), the GDP multiplier for the gambling sector is 2 meaning that for every R100 GDP generated by the gambling sector an additional value added GDP of R100 is produced which is slightly ahead of the average economy-wide multipliers of 1.5.

A comprehensive study was carried out by Economic Information Services (2011) which states that the industry contributed R 2.71bn to GDP in SA in 2009 and made a cumulative contribution of R 16.8bn between 2002 and 2009. The R 2.71bn included a net contribution of R 574m from owners and R 1,74bn from punters equating to a

contribution of 25% / 75% respectively. This ratio will be used to establish the horse racing industry's contribution to GDP in KZN. As per table 2.4, GGR generated by horse racing in KZN in 2014 amounted to R 520m. Owner's contribution can therefore be calculated to equate to R 173m, hence totalling a direct contribution by the industry of R 693m. Taking the multiplier effect into account, the horse racing industry's contribution to GDP in KZN was R 1.4bn in 2014.

2.9.2. Impact of the Horse Racing Industry on Employment

Subdued economic growth, higher unemployment and lower productivity growth have become the "new normal" of economic development (World Economic Forum, 2013).

According to Economic Information Services (2011), in 2009, the SA horse racing industry employed 7.01 full time people for every million rand of (GGR) as compared to the 0.289 people that the casino industry employed for every million rand of GGR. This meant that the racing industry is 24 times more labour intensive than the casino industry for each rand of GGR. The horse racing industry sustains 16 244 direct and indirect job through the upstream. It should however be noted, when horses retire from racing, further employment and revenue generation is created in the downstream such as dressage and show jumping.

The study carried out by Economic Information Services (2011) states that the industry directly employed 12 537 people in 2009. The multiplier effect for employment in the gambling sector as stated in National Gambling Board of South Africa (2013) is 5.6. Taking this into account, the gambling sector in SA sustains 70 207 direct and indirect jobs.

Jobs created within the industry include: breeders, trainers, grooms, work riders, jockeys, apprentice jockey, jockey agents, Racing operators (PGL and Gold Circle), NHA, SA Jockey Academy, TBA, Racing editors, equine photographers, veterinarians, physiotherapists, farriers, and transport service providers.

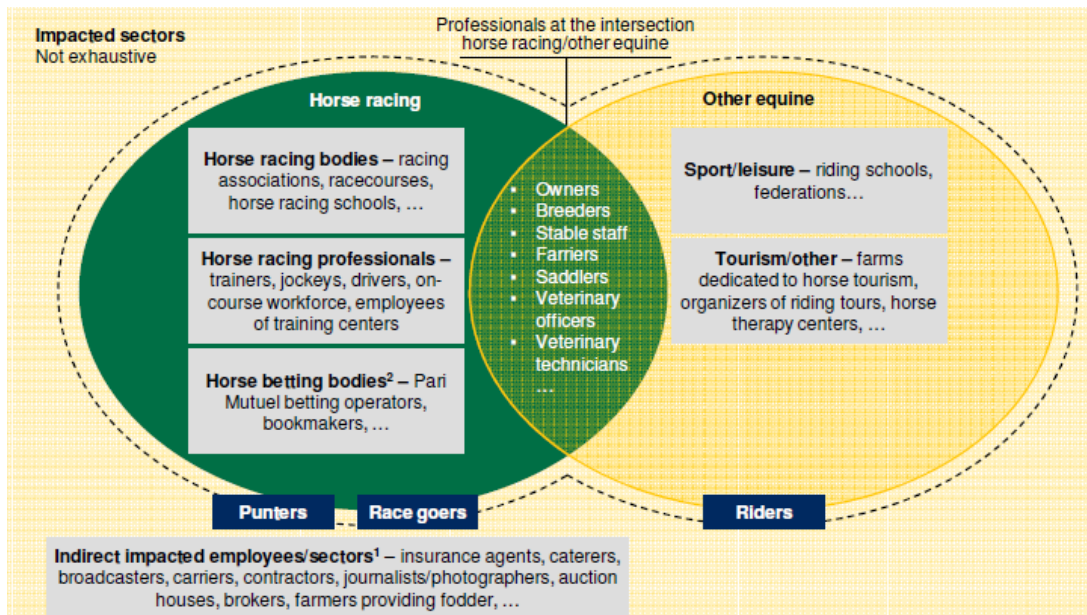


Figure 2.14 Direct and Indirect employment within the Horse racing industry
Adapted from (European Pari Mutuel Association, 2009)

It is important to note that many of the other forms of gambling such as online-gambling and limited pay out machines, is less labour intensive. This trend of increasing forms of gambling at a cost to horse racing results in a decline in the role of labour to the gambling industry. As per Keynes' wage and price stickiness theory, a decline in wages results in a decline in prices and therefore a decline in the industry's contribution to the economy (Stonecash, et al., 2011).

2.9.3. Impact of the Horse Racing Industry on Taxes

Gambling taxes are the second largest producer of "own revenue" for provinces (Nzimande, et al., 2010). In 2009, the horse racing industry contributed R 194m to the provincial government and R 500m to the national government in the form of direct and indirect taxes (Economic Information Services, 2011).

It should be noted that additional taxes are paid in respect of vat and company taxes as well as taxes that will be generated through other suppliers and stakeholders.

2.9.4. Additional contributions of the Horse Racing Industry

It should be noted that racing also makes a contribution to the economy in terms of tourism, foreign investment, capital expenditure and corporate social investment initiatives.

2.9.4.1. Tourism

A survey carried out by The Durban Chamber of Commerce as quoted in Sporting Post (2015) states that the economic impact of an event such as the Durban July generates over R 440 million to the KZN economy attracting many out of province and international visitors. Revenue is generated directly through betting activities but also indirectly through spend on accommodation at local hotels and bed and breakfast establishments, restaurants and other tourism facilities. The number of guests from outside KZN has increased from 20% in 2011 to 50% in 2015 and it has also been noted that visitors are staying in KZN for longer periods of time showing an increase from 2008 of 39% to 51% in 2014.

2.9.4.2. Corporate Social Investment (CSI)

Corporate Social Investment (CSI) also known as Corporate Social Responsibility (CSR) is defined as a business's commitment to behave ethically and contribute to the economic development and quality of life of their employees, their families and the community and society at large (Sims, 2003).

Gold Circle as a responsible corporate citizen, operating in KZN has an active CSI and Enterprise development program which focuses on promoting socio-economic development and community upliftment to address the challenges posed by poverty and under-development. (Gold Circle (Pty) Ltd, 2014, pp. 11-17) The company is committed to empowering and uplifting specific disadvantaged communities in the province, especially surrounding communities where Gold Circle operates. These initiatives include:

- its involvement in the Rural Horse Racing industry through its partnership with various stakeholders from the rural horse racing industry focusing on

infrastructural development and enterprise creation in underdeveloped rural areas.

- Environmental conservation and awareness is promoted with the aim of making the rural horse racing industry a viable entity of its own.
- Gold Circle, together with the Coastal Horse Care Unit, whom they fund, educates rural communities about horse care in order for their horses to be competent enough to compete efficiently in rural racing.
- “Work horses” provide services beyond racing in the rural environment such as ploughing and other farm labour as well as providing transport to the rural community.
- Education & Skills Development - educate learners about animal care and recreation, especially horse care. Projects include school excursions, art, cultural and sport development programmes, donation of resources and materials at primary, secondary and tertiary education level as well as bursaries and scholarships.
- Gold Circle fund the South African Jockey Academy which is the only institution in South Africa that offers youth an academic and practical apprentice programme to qualify as professional jockeys.
- Healthcare initiatives - for both its own staff as well as grooms who are employed by trainers and horse owners. A doctor/nursing sister has been engaged, who provides healthcare services at the training centres and racecourses on specific days. External service providers are sourced to provide wellness clinics and chronic medication to staff and grooms. Special HIV/Aids awareness clinics and projects are planned and patients are monitored on a regular basis.
- Charity race meetings – the company provides racing events, infrastructure and buildings to Non-profit organisations so as to allow the NPO’s an opportunity to raise funds for charity.

2.9.4.3. Foreign Investment

The industry generates international revenue through its sale of South African racing overseas. Live South African horseracing is exported to 41 international jurisdictions across six countries hence generating foreign investment.

2.10. CHAPTER SUMMARY

This chapter presented an overview of the horse racing structure both globally and in SA, clearly illustrating the interdependence between the various stakeholders. Owners' dependence on the growth of betting revenue was highlighted as being the main contributor to stakes paid. The impact of the economic downturn of the industry globally, nationally and provincially was discussed. The socio-economic impact of horse racing was presented with a view to proving that a decline in revenue will negatively impact the KZN economy.

The next chapter of the research presents the research methodology of the study and justification for the designs and approaches and measuring instruments used.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

The previous chapter consisted of a literature review which confirmed the hypothesis: *There are key strategic factors that are impacting the socio-economic growth and sustainability of race horse owners in KZN.*

It further highlighted the need to establish the factors that are impacting on the growth of race horse owners in KZN.

This chapter of the research discusses the research methodology and research design that was adopted. In deciding on the research design, the researcher must take cognisance of the advantages and disadvantages of the various options available as well as the challenges that may be present in the study and how these challenges can be overcome through the methodology so as to ensure validity and reliability of the research. The chapter provides justification for the designs and approaches and measuring instruments used to conduct the research.

3.2. DEFINITION OF RESEARCH METHODOLOGY

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 solutions to a problem (Sekaran & Bougie, 2010). According to Walliman (2011, p. 7), research can be described as a process used to discover new information in a systematic way.

According to Brown (2006, p. 12), methodology is the theoretical or scientific framework upon which research is organised or directed. Research methodology includes interviews, surveys, publication research, and other research techniques, and can be based on both current and past information (Sekaran & Bougie, 2014, p. 95).

Randy, et al. (2013), states that the following criteria must be met when conducting a research methodology:

1. The methodology must be suitable to achieve research objectives.
2. The methodology should be easy to replicate and used in other researches of the same nature.

The researcher must choose the appropriate approach or method of gathering the information required (Druckman, 2005, p. 46).

Figure 3.1 illustrates the research methodology framework which was further adopted to achieve the aims and objectives of the current study.

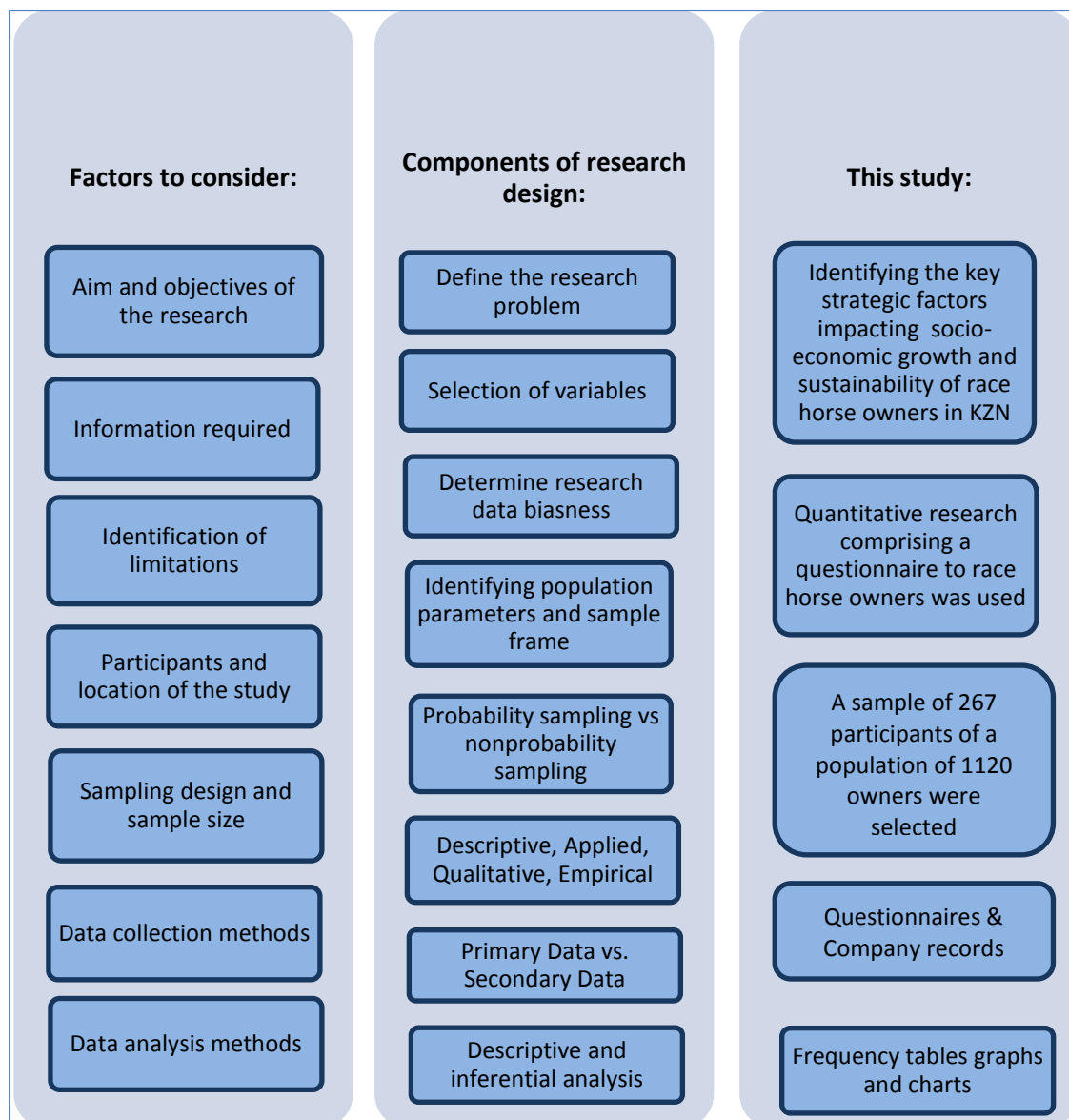


Figure 3.1: Adaptation of the research methodology framework

3.3. RESEARCH AIM

The main aim of the study was to identify and evaluate the “key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN”.

3.4. SELECTION OF TYPE OF STUDY

Research can be broadly categorised as follows;

1. Qualitative research
2. Quantitative research
3. Mixed Methods research

3.4.1. Qualitative Research

Qualitative research deals with phenomena such as beliefs, meanings, attitudes and symbols, that is difficult or sometimes impossible to quantify mathematically (Bhawna & Gobind, 2015). The aim is to gather a comprehensive understanding of the factors contributing to human behaviour by determining not only the what, where and when of decision making but also the why and how.

3.4.1.1. Advantages of Qualitative research include:

- Allows the researcher to study more complex perspectives of a persons' behaviour
- There are less limitations or assumptions set on the data gathered
- Individuals can be studied in greater detail as not everything can be quantified
- Ideal for hypothesis generation and empirical research
- Respondents are allowed to present information in their own specific manner in their own particular words

3.4.1.2. Disadvantages of Qualitative research include:

- More challenging to measure the validity and reliability of verbal information.
- More subjectivity required in evaluating data
- “Data overload” – open-ended questions may result in excess data being created
- Time consuming to analyse

3.4.2. **Quantitative Research**

“Quantitative research is a methodical exploratory investigation or assessment of any phenomena using mathematical, statistical or computational tools and techniques” (Bhawna & Gobind, 2015). (Kothari, 2004, p. 5), describes it as the measurement of an amount or quantity. Quantitative research includes:

- Collection of experiential or practical data
- The creation of models, hypotheses and theories
- Data modelling and analysis
- The development of instruments and techniques for measurement
- Test control and control of variables
- Evaluation of results

3.4.2.1. Advantages of Quantitative research include:

- Permits the researcher to measure, investigate and analyse data
- Researcher is able to maintain a greater degree of objectivity about the outcomes of the research
- The research may be used to test hypotheses in experiments, due to the statistical nature of the research

3.4.2.2. Disadvantages of Quantitative research include:

- Data may be seen out of the context of the experiment or research
- Study might not be conducted in a natural setting or peoples differing emotional perspectives may not be taking into account
- A large sample of the population must be studied to obtain accurate results.

3.4.3. Mixed Methods Research

Mixed methods research combines quantitative research (e.g. surveys and experiments) and qualitative research (e.g. interviews and focus groups). By mixing both methods, the researcher is able to obtain an in depth understanding and validation of the research while counteracting the weakness that each method by itself may present.

3.4.3.1. Advantages of Mixed methods research include:

- Is able to overcome the inherent weaknesses of both qualitative and quantitative research if applied on their own
- Presents a more thorough and complete assessment of the research problem
- Provides a better approach of developing a superior, more context specific instrument
- Helps to explain findings on how underlying procedures function

3.4.3.2. Disadvantages of Mixed methods research include:

- The research design can be very intricate
- Requires more resources and time to plan and effect mixed methods research
- May be challenging to plan and effect one method by drawing on the outcomes of another
- May be challenging to resolve anomalies that arise in the analysis and interpretation of results

Quantitative research, using a questionnaire, was the most appropriate method for collecting and analysing information in the current study.

3.5. LIMITATIONS OF THE STUDY

It is imperative to determine the limitations under which a study is conducted as these limitations impact on the research methodology selected. Time constraints were the main limitation in this study. Approximately three months of research time was

allocated to the current study. A limited number of subjects responded to the questionnaire thus limiting the sample size.

An important component of the research was to establish reasons for owners exiting the industry. This proved to be difficult in that as much as the subjects were identified, many of them did not care to participate in the research.

Some participants did not answer all the questions, hence leading to incomplete results.

3.6. RESEARCH APPROACH AND DESIGN

3.6.1. Research Design

According to (Kumar, 2005, p. 123), a research design has two main functions:

1. Development and identification of procedures to undertake the study
2. Ensuring that these procedures are objective, valid and accurate.

The research problem, questions and related aims call for a purposeful research design. (Sekaran & Bougie, 2013, p. 95), state research design which is based on the research questions of the study, is the blueprint for the collection, measurement and analysis of data.

3.7. RESEARCH SETTING

The National Horse Racing Authority (NHRA) is the regulator of the sport of thoroughbred horse racing in SA and thereby ensures the integrity of the sport. The NHRA maintain and publish a stud book. Horses, owners, breeders and trainers are required to be registered with the NHRA in order to participate in thoroughbred racing in SA. The NHRA's data base was used to source the population for the study which comprised race horse owners who have horses domiciled in the province of KZN at any time, over the period 2010 to 2015. Quantitative data was sourced from the target population.

3.8. STUDY POPULATION AND SAMPLE

3.8.1. Target Population

Sekaran & Bougie (2013, p. 240), define a population as:

- an entire group of people,
- things of interest or
- events,

that the researcher wants to investigate and draw inferences from through sample statistics.

The target population for this research comprised race horse owners who have been registered with the NHRA at any time, over the period 2010 to 2015 and their domicile as recorded with the NHRA is KZN. Quantitative data was sourced from the target population.

The population size (N) was established to be 1120.

3.8.2. Sampling Method

Sampling is a strategic and sometimes mathematical process, involving practical procedures to gather a sample that is most representative of the larger population (O'Leary, 2004, p. 103).

Sampling a population simplifies the research, saves time and reduces costs (Brynard & Hanekom, 2006, p. 43).

There are two broad categories of sampling:

- Probability sampling – all samples have an equal probability of selection.
- Non-probability sampling - based on human choice rather than random selection, does not give all samples an equal probability of selection.

Statistical theory does not provide an explanation of behaviour and potential sources of bias are rampant.

The types of probability sampling methods are described in the table below:

Table 3.1 Types of Probability Sampling

Adapted from Sekaran, U. & Bougie, R., 2013. **Research Methods for Business**. 6th ed. West Sussex: Wiley p248.

Types of Probability Sampling	Description
Simple Random Sampling	Each subject is randomly selected from the total population, there is an equal opportunity for selection
Systematic Sampling	Similar to random sampling except some order, system or list is introduced to select the participants, e.g. every nth subject is selected
Stratified Sampling	Division of the population into groups based on a factor that may influence the variable that is being measured. These groups are then called strata.
Cluster Sampling	Population is divided into heterogeneous clusters (microcosms) and a simple random sample is selected from each cluster
Multistage Sampling	Complex form of cluster sampling. Clusters are chosen at random and everyone within the chosen cluster is sampled

Sekaran & Bougie (2013, p. 248), state that a restricted or complex probability sampling procedure, is sometimes more efficient and viable.

This method, in particular a stratified random sampling method, seemed most appropriate for the quantitative component of the current study i.e. the questionnaire.

The population was stratified in terms of the following criteria:

- Owners' statistics for the period 2010 to 2015 were downloaded from the NHRA database.
- Only subjects with email addresses were included and this equated to 1120 subjects.
- Subjects who were recorded as being deceased (17 subjects), were excluded.
- Data was sorted in terms of years of registration and subjects who were not registered in either 2014 or 2015 or did not have 3 years of continuous registration were excluded.
- Subjects were then sorted in terms of the 50/50 stratum as detailed below.
- Data within each stratum was then sorted in terms of racial demographics.

Subjects were then selected from each stratum as follows:

- 39% of the population (433 subjects) comprised subjects who had continuous registration over the six years. These subjects were viewed as long term, committed owners whose views would be of paramount importance. Within this band, 30% of the subjects (130) were selected from each racial demographic stratum.
- 61% of the population (687 subjects) comprised subjects who were owners for the first 5 years, or part thereof (minimum 3 years), of the study (2010 – 2014) and since are no longer registered as owners. The main purpose of doing this was to establish the subjects' reason for ceasing to own horses. (Kumar, 2005, p. 179), describes this as purposive sampling, where subjects are selected purposively to provide the most valuable information that will achieve the specific objective(s) of the study. This strategy was applied in aid of attaining concurrent validity i.e. identifying individuals who are known to be different and are likely to score differently on the instrument. In keeping with the objectives of the study, it was important to understand their reasons for exiting. Within this band, 20% of the subjects (137) were selected from each racial demographic stratum.
- In total, the sample size was 267

3.8.3. Sample Size

Sekaran & Bougie (2013, p. 246), state that the sample size is dependent on the following factors:

- The objective of the research
- The confidence level i.e. the required level of accuracy and the acceptable risk
- The population size
- Constraints in respect of cost and time
- The level of variability of the population

Anderson, 2004 (p. 209), argues that there are no clearly defined answers to the size of a sample however Neuman (2006, p. 241) suggests that the ratio of sample size to population size should be bigger, the smaller the population size.

Appendix 3 is a table provided by The Research Advisors (2006), used to determine sample size. A sample of 267 subjects, were selected on the following basis:

- Population size was established to be 1120
- Confidence level is a measure of how confident the researcher is that the actual mean falls within the confidence level. A confidence level of 95% was selected for the current study.
- Margin of error measures the acceptable difference that the researcher is willing to accept between the population mean and the sample mean. The margin of error for the current study is $\pm 5\%$.
- Standard deviation is a measure of the variances expected from the responses to the survey. A safe measure in this regard is 0.5.

3.9. DATA COLLECTION INSTRUMENTS

Once the research design has been completed, the appropriate data collection method must be selected. This could include sources of primary or secondary data or both.

3.9.1. Primary Data

Primary data is information the researcher collects directly through data collection tools such as interviews, surveys, focus groups or observation (Sekaran & Bougie, 2013, p. 36). The four main methods of conducting surveys or interviews include; personal face-to-face interviews, mail, online and phone. The advantages and disadvantages of these methods are detailed in the table below:

Table 3.2 Advantages and disadvantages of the four data collection methods

Adapted from Kothari, C. 2008. **Research methodology: Methods and techniques**. 2nd ed New Delhi: New Age International Publishers

Method of administration	Advantages	Disadvantages
Personal interviews	More information can be obtained. Greater flexibility and observation method can be applied.	Time consuming, expensive, possible bias, inaccessible to all respondents.
Telephonic interviews	Faster, more flexible and cheaper than above. Wider reach and high degree of confidence of data.	Possibility of bias. Little time for respondents to consider answers.
Mail/post surveys	Low cost. Free from interviewer bias. Wider reach.	Low rate of return. Slowest method. Responses may be lost in the post. Inflexibility once posted.
Online interviews	Inexpensive to distribute. Self-administered. Low probability of data errors. Instant feedback. Data captured instantaneously.	Not accessible to those without email/internet. Possibility of inaccurate demographic data.

Primary data was obtained via a self-administered questionnaire.

3.9.2. Secondary Data

Secondary data refers to data that already exists such as government publications, company records, case studies and library records (Sekaran & Bougie, 2013, p. 36).

The researcher sourced secondary data from company records, industry analyses offered by industry experts and government publications.

3.9.3. Rationale for using a questionnaire

Data was obtained via a structured questionnaire which was completed by race horse owners who have or had horses based in KZN. Consent was obtained from the NHRA to access their database of race horse owners. The data base was analysed to identify race horse owners who have horses based in KZN. A sample of 267 race horse owners was selected and questionnaires were distributed via email.

Surveys and questionnaires are widely used in research as a data gathering technique (Anderson, 2004, p. 208)

The researcher noted the following advantages and disadvantages of a questionnaire, for the purpose of collecting data in the current study

Table 3.3 Advantages and Disadvantages of a questionnaire

Adapted from Blaxter, L., Hughes, C. and Malcolm, T. 2001. **How to research**. 2nd edition. Buckingham, Great Britain: Open University Press.

Advantages	Disadvantages
Using the QuestionPro survey software was affordable and less time and human and financial resources were required	Distribution of questionnaires may be costly if researcher is to supply respondent with an addressed envelope and affixed postage
Can reach a large number of respondents despite owners being located throughout KZN and beyond	Low response rates or incomplete and/or poorly completed answers
Provide respondents with time to think about answers to questions in questionnaire	Response to a question may be influenced by the response to other questions, as the respondent can read all the questions before answering
No face to face interaction – offers greater anonymity	If respondents do not understand some questions, the opportunity to clarify issues is lacking
Pre-coded data	Limits and shapes the nature of answers

According to O'Leary (2004, pp. 182-183) a good survey can reach a large number of respondents, produce empirical data and remain standardised, measurable and offers confidentiality and/or anonymity.

Taking the above factors into consideration, a questionnaire was selected as an appropriate data collection instrument for the current study. A structured questionnaire was designed. The introduction to the questionnaire provided the participants with an overview and purpose of the study. Participants were assured that all information provided will be treated confidentially and that they were under no obligation to complete the survey. The questionnaire included both open-ended and closed-ended questions and clear instructions were provided throughout.

Table 3.4 Types of Questions

Adapted from O'Leary, Z., 2004. **The Essential Guide to doing Research**. 1st ed. London: Sage. P159

<p style="text-align: center;">Open-ended questions</p>	<p>Questions that require participants to respond using their own words, stating their own views and opinions but this may be restricted by the amount of space provided for the answer.</p>
<p style="text-align: center;">Closed-ended questions</p>	<p>Questions that require participants to choose from a list of predetermined responses. These are generally easy to code and statistically analyse.</p>

3.9.4. Pretesting the Questionnaire

Pretesting the appropriateness of a questionnaire is essential if it is to be used as a data collection instrument, in order to ascertain if it is clear to understand and to identify any flaws that may exist (Beri, 2010, p. 18).

Anderson (2004, p. 218), strongly advises that pretesting be carried out as an inappropriately designed survey is likely to generate incomplete or misleading data.

Once the questionnaire was finalised, the researcher pretested the questionnaire on ten registered owners. They were requested to complete the questionnaire and provide feedback on the instructions and questions on the questionnaire. No questions were changed further to the pretesting.

The questionnaire was then loaded onto a computer generated survey program. The link for the program was emailed to the sample participants explaining the purpose of the study and requesting that they participate in the survey. According to Denscombe (2012, p. 152), there are certain distinct advantages to using a web based questionnaires rather than a paper-based questionnaire. These include inter alia;

- Less expensive
- Shorter turnaround time
- More efficient data entry/checking process

There are however, no material differences in the quality of the data or the completion rates.

3.9.5. Ethical and General Considerations

3.9.5.1. Ethical considerations

Ethical considerations and ethical behaviour is important in all fields of human activity and is as important in research (Welman, et al., 2005, p. 182). The table below details some of the considerations relating to research.

Table 3.5 Ethical Considerations

Adapted from Welman, C., Kruger, F. & Mitchell, B., 2005. **Research Methodology**. 3rd ed. Cape Town: Oxford University. p182

Competence	A researcher must be adequately skilled to embark on research in order to avoid causing harm to subject's, abusing a subject's goodwill, damaging the reputation of the research organisation, or wasting time and other resources.
Plagiarism	It is unethical to use other people's data or ideas without due acknowledgement and permission where appropriate.
Falsification of Results	It is clearly unethical to falsify research results or to report results that are misleading.

3.9.5.2. General considerations

It is important to bear the following general considerations in mind when conducting research.

- Questionnaires must be clear, simple and understandable (Tooley, 2012, p. 6).
- There is a greater likelihood that mistakes will occur if questionnaires are cluttered, cramped or messy (O'Leary, 2004, p. 161)
- Layout of questionnaire should be well presented, interactive, sequential and easy to read (Kumar, 2005, p. 126).
- Avoid creating a very long questionnaire as this may result in the questionnaire being abandoned, returned incomplete or filled in randomly (O'Leary, 2004, p. 161).

3.10. RELIABILITY AND VALIDITY

Credibility in research pertains to the validation of findings and results (Seale, et al., 2006, p. 377). In order to ensure credibility of the data collection tool and subsequent research findings, validity and reliability are vital (Moule, 2015, p. 1).

3.10.1. Reliability

Reliability is an indication of the extent to which the data collected is without bias or free from error, ensuring stability and consistency or “goodness” in the data generated across time and across the various items of the instrument (Sekaran & Bougie, 2013, p. 228). Reliability is also assurance that the same data will be collected, measured or generated under repeated trials (O’Leary, 2004, p. 111).

Cronbach’s alpha coefficient is used to estimate correlations between two variables. A direct relationship exists when an increase in one variable leads to an increase in another variable. This is a positive relationship and equates to a coefficient of +1. When an increase in one variable, results in a decrease in another variable, an indirect or negative relationship exists and equates to a coefficient of -1. No relationship exists if the coefficient equates to zero (Welman, et al., 2005, p. 234). This is reflected in the table below:

Table 3.6 Correlation of Cronbach’s Alpha Coefficient Source

Adapted from Watkins, D. & Gioia, D., 2015. **Mixed Methods Research**. 1st ed. United States of America: Oxford Press. p102

+1	Perfect positive correlation
0	No Relationship
-1	Perfect negative correlation

Reliability is improved if the data collection instrument is standardised i.e. all respondents are presented with a standardised questionnaire (Robson & McCartan, 2002, p. 173). Reliability was achieved in the current study through conducting a pretest of the measuring instrument.

3.10.2. Validity

Validity was historically defined as the level at which an instrument measures what it was meant to measure. Recent views suggest that this is extended beyond the instrument itself but also the interpretation and meaning of the scores derived from the instrument (Ary, et al., 2010, p. 225). O'Leary (2004, p. 61), further states that validity is confirming the truthfulness and accuracy of the research based on the methods used to warrant the conclusions derived from the data. Validity is based on the principle that one can measure or capture what is being studied.

The types of validity and details thereof are described in the table below:

Table 3.7 Types of Validity

Broad Categories	Sub – categories	Description
Content Validity Measures how well the scope and elements of a concept have been defined	Face Validity	On the face of it, the measuring instrument looks like it is measuring what it intended to measure
Criterion-related Validity The measures distinguishes individuals on a criterion it is expected to predict	Concurrent validity	Established when the scale discriminates individuals who are known to be different and should score differently on the instrument
	Predictive validity	The ability of a measuring instrument to distinguish among individuals with reference to a future criterion
Construct Validity Confirms how well the results obtained from the measured instrument meet the theories on which the test was designed.	Convergent validity	Scores obtained from two different measuring instruments are highly correlated
	Divergent validity	Based on theory, two variables are predicted to be uncorrelated and the scores obtained prove this

3.11. DATA ANALYSIS AND INTERPRETAION

Quantitative research data was obtained through structured questionnaires and translated into numerical codes by the researcher using the computer program, Questionpro. Descriptive statistics were used to analyse the data which was then summarised on frequency tables and presented in graphical format through bar graphs and pie diagrams.

3.12. CHAPTER SUMMARY

The research objectives, target population and sample selection were described in this chapter. It also described the research methodology used in the research design, which included the choice of the data collection instruments and data analysis techniques. The researcher also discussed the strategies that will be implored to ensure ethical standards as well as reliability and validity of data is achieved.

The results of the questionnaires are presented, analysed and discussed in the next Chapter.

CHAPTER FOUR

PRESENTATION OF RESULTS

4.1. INTRODUCTION

The previous chapter provided a framework of the research methodology for the current study. This chapter presents a statistical analysis of the primary and secondary data obtained. Primary data was obtained from questionnaires distributed to past and present race horse owners. The literature review in chapter 2 provided a framework for preparing the questionnaire.

This chapter presents the statistical analysis of the data that emerged from the completed questionnaires. Secondary data was obtained from company records, the NHRA data base and government publications.

4.2. STATISTICAL ANALYSIS

The process of gathering, investigating, summarising, manipulating and understanding quantitative data is referred to as “statistical analysis”. According to Creswell (2014, p. 155), it provides the basis of testing a theory from objective data obtained from empirical observations and measures.

The following section provides a statistical analysis of the data obtained via the questionnaires that were distributed to 267 past and present race horse owners. The statistical analysis is supported by data generated via the SPSS 15.0 software. Frequency tables, pie charts and graphs are used to present the data that was obtained from the questionnaires, followed by a discussion of the results.

4.2.1. Survey Overview

Participation statistics relating to the questionnaire that was administered is illustrated below:

Table 4.1 Participation statistics

	Count
Number of individuals invited to participate in the survey	267
Number of participants that viewed the questionnaire	197
Number of participants that started the questionnaire	142
Number of participants that completed the questionnaire	106
Participation rate	39.7%
Completion rate	74.65%
Drop outs (after starting)	36
Validation errors	0
Average time to complete the questionnaire	7 minutes

4.2.1.1. Geographical location of respondents

The world distribution of the responses are reflected in the table below and illustrated on the map that follows:

Table 4.2 Distribution of respondents

	Frequency	Percentage
SA	99	93.4
Australia	5	4.7
Madagascar	1	0.95
Portugal	1	0.95
Total	106	100.0



Figure 4.1 Map of the world reflecting distribution of respondents

As noted from the sample, owners whose horses are domiciled in KZN are based throughout the world, the majority of 93.4% being based in SA.

In attempting to assess the impact of strategic factors, it is essential to establish the demographic profile of the participants as discussed under the PESTEL analysis sections 2.3.1.3.

Sections 4.2.1.2. to 4.2.1.5. provides such an analysis.

4.2.1.2. Gender of respondents

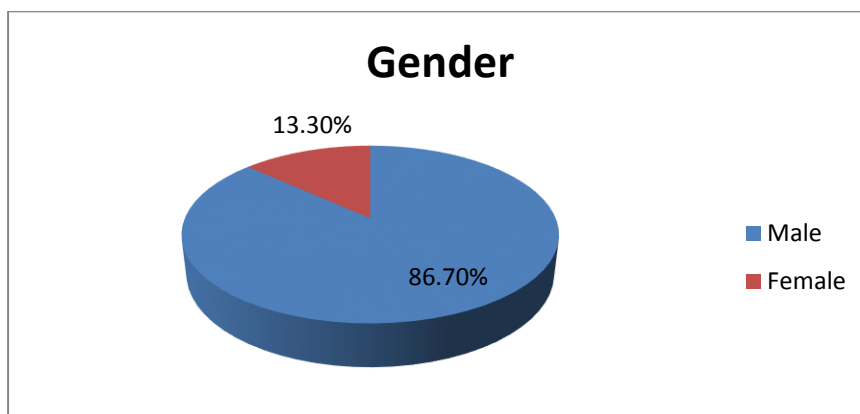


Figure 4.2 Gender of respondents

The sample indicates that the majority of the owners, 86.7% are male.

4.2.1.3. Race of respondents

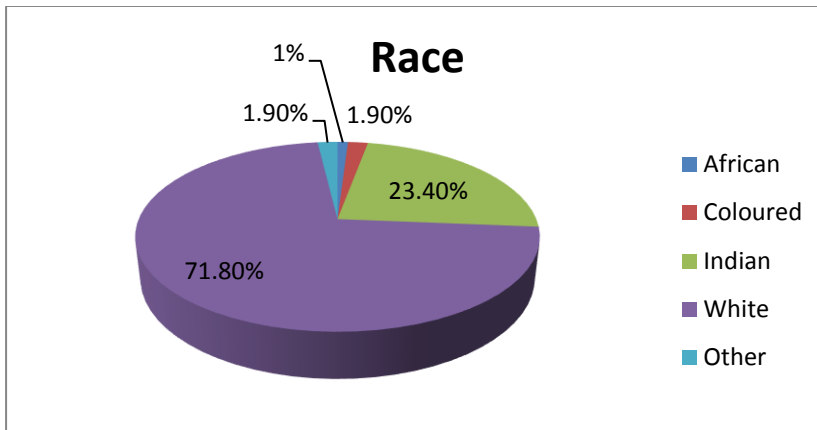


Figure 4.3 Race of respondents

The sample indicates that the majority of the owners, 71.8% are white.

Given that horse racing has traditionally been considered a “white elitist” sport, the sample is an indication of the growth of non-white participants in the sport which equates to 28.2%.

4.2.1.4. Marital Status of respondents

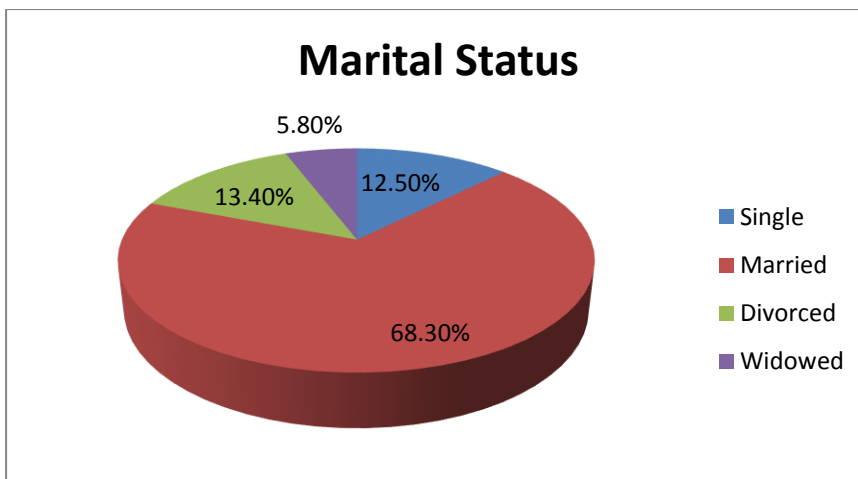


Figure 4.4 Marital Status of respondents

The sample indicates that the majority of the owners, 68.3% are married.

4.2.1.5. Age of respondents

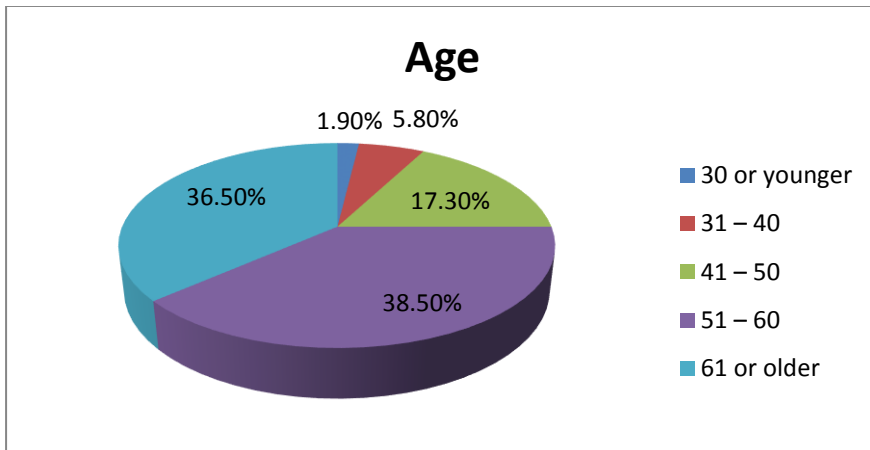


Figure 4.5 Age of respondents

Horse racing, and in particular ownership, seems to appeal to the older generation. 75% of the sample was over 51 years with 92.3% being over 41 years.

4.2.2. Respondents domiciled in KZN

Participants were asked if they were domiciled in KZN. Results as follows:

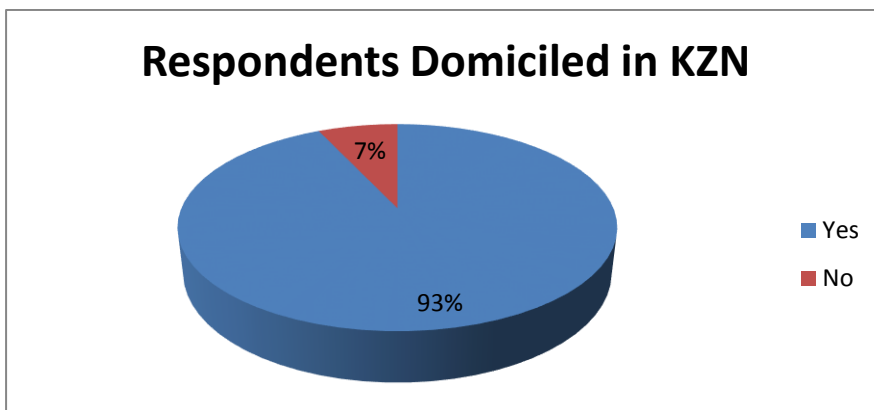


Figure 4.6 Respondents domiciled in KZN

In sections 4.2.3 to 4.2.4, that follow, participants were asked to select all options that apply.

4.2.3. Affiliation to the Industry

Most individuals involved in the horse racing industry are connected / affiliated in more than one way. Participants were asked to state their connections / affiliations to establish their level of involvement. Responses are detailed below:

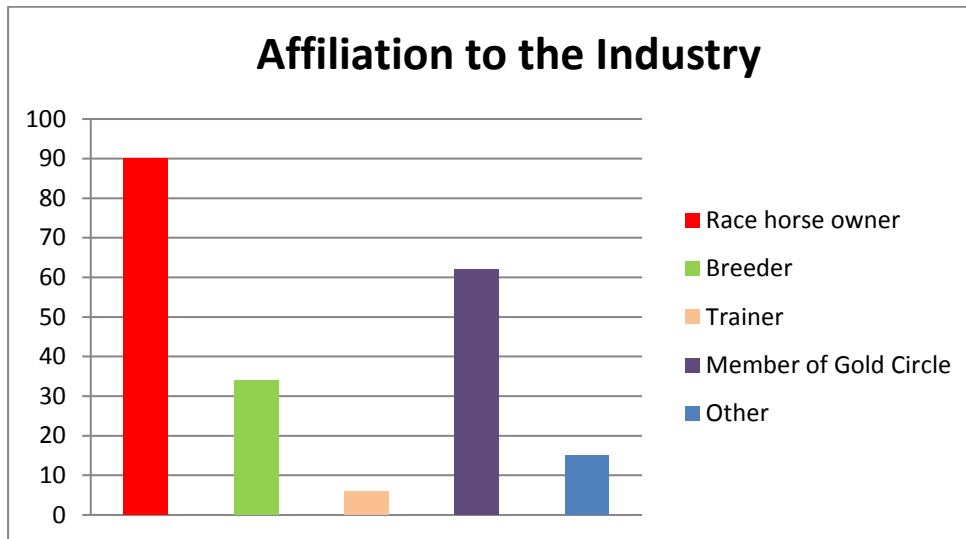


Figure 4.7 Racing Participation / Connection / Membership

Given that 84,9% of the sample are race horse owners, the statistic implies that 15,1% are not but would have been in recent years. One of the main objectives of the research was to determine the factors that are causing a decline in the number of owners racing horses in KZN. The researcher concluded that previous owners, who may have exited the system in recent years, would provide important information to achieve this objective. It was noted that some participants who were specifically selected for this reason, refused to participate and stated their reason as being that they are no longer owners. However, this objective was achieved via the 15.1% of the respondents that did participate.

15 respondents chose "Other" as an option and their affiliation to the industry includes: member of the Racing Association, Bookmaker, and service providers.

4.2.4. Reasons for involvement

As noted from the table below, the majority of participants (72,6%), became involved in the horse racing industry because of their love and passion for horses. 20.8% of the participants grew up with horses.

5 respondents chose “Other” as an option and their involvement in the industry included: Family business, bloodstock agent, veterinarian and jockey.

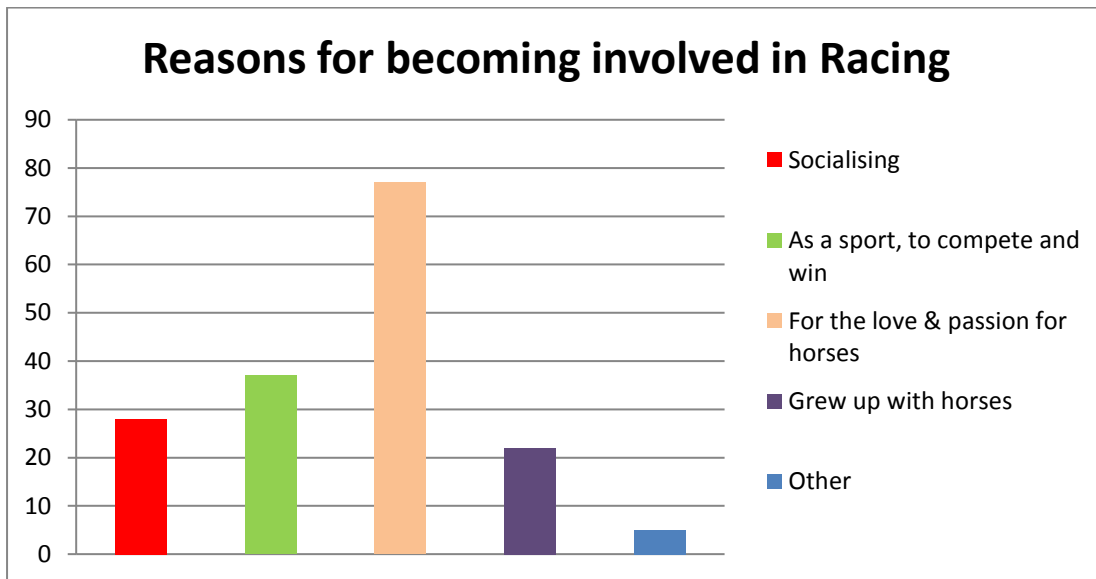


Figure 4.8 Reasons for becoming involved in Racing

4.2.5. Number of horses owned, registered with the NHA

How many horses do you own that are registered with the NHA?

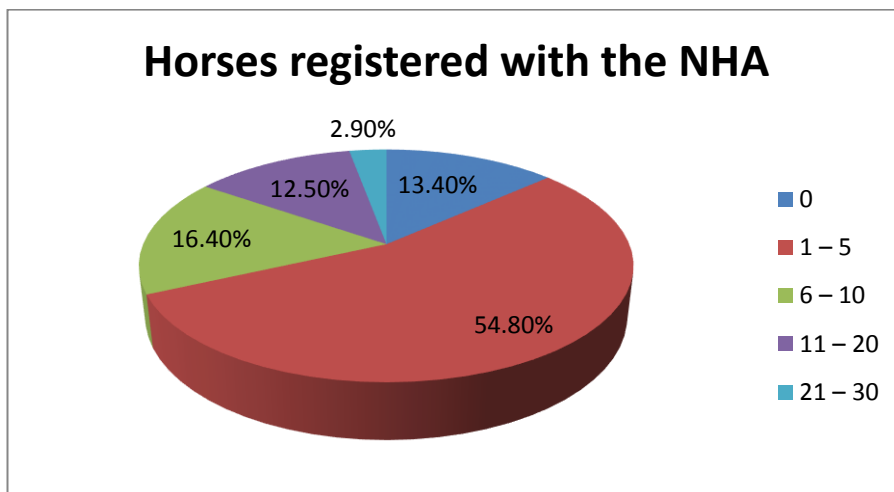
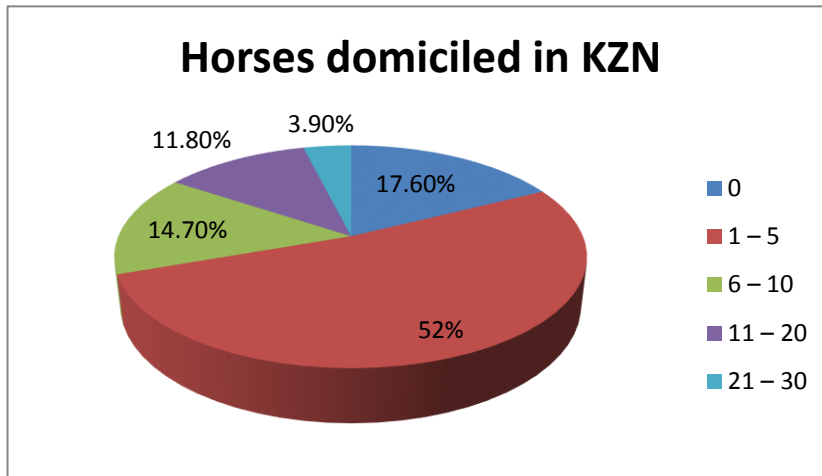


Figure 4.9 Horses registered with the NHA

4.2.6. Horses registered with the NHA and domiciled in KZN

How many horses do you have that are registered with the NHA and domiciled in KZN?

Figure 4.10 Horses domiciled in KZN



In both sections 4.2.5 and 4.2.6, an option of “31 or more (specify)” was provided however 14 of the participants used this field to denote that they no longer had horses highlighting a shortfall in the questionnaire which did not provide for “no horses”. However, this shortcoming was overcome by the manner in which the questionnaire was filled out and the frequency tables and graphs have been adjusted accordingly to compensate for this shortfall.

4.2.7. Years of ownership

How long have you been a race horse owner?

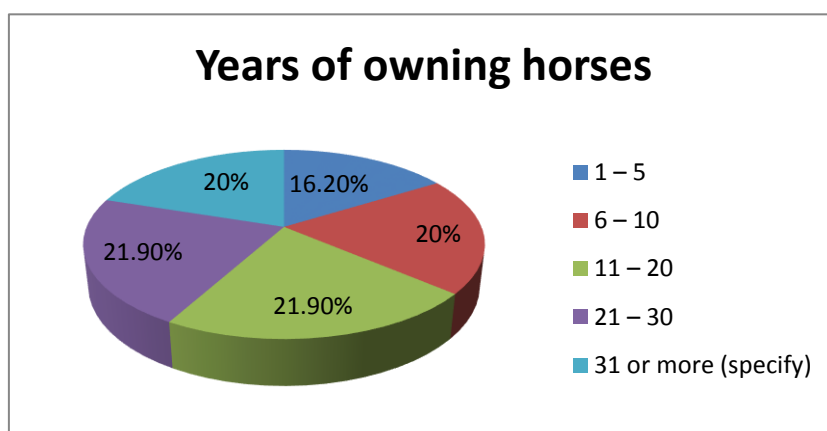


Figure 4.11 Years of owning horses

19.8% of the participants denoted owning horses for “31 years or more.” Some participants specified the actual number of years and this averaged at 41.25 years.

4.2.8. Direct Employment

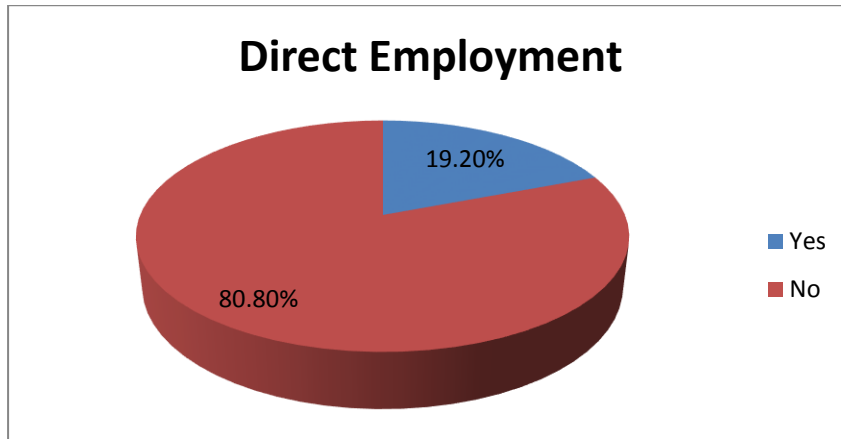


Figure 4.12 Direct Employment

The 20 participants, who responded positively to employing staff, employ a total of 225 staff.

4.2.9. Out of province racing

How many horses do you have racing out of KZN but within the borders of SA?

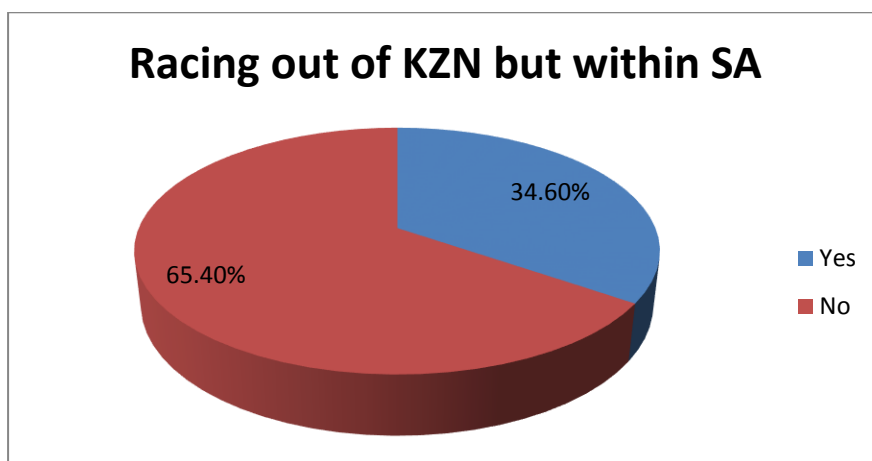


Figure 4.13 Racing out of KZN but within SA

The 36 participants who responded positively to racing out of KZN but within the borders of SA, have raced on average, 5 horses each, over the last 12 months.

4.2.10. Horses racing Internationally

How many horses do you have racing internationally?

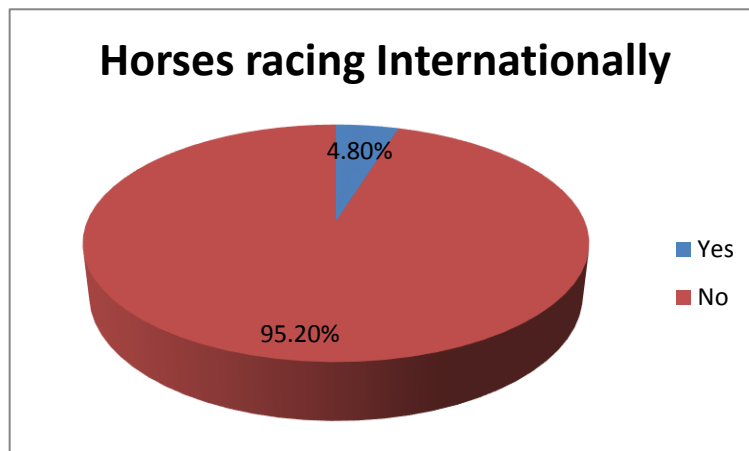


Figure 4.14 Horses racing Internationally

The 5 participants who responded positively to racing internationally, have raced on average, 3 horses each, over the last 12 months.

4.2.11. Sources of Income from Racing, other than Stakes

Do you earn any other sources of income from racing, other than stakes?

The participants, who responded positively to receiving income from other sources of racing, cited the following as their sources:

- Betting
- Breeding and selling thoroughbreds
- Providing administration services to trainers and owners
- Major Supplier Of Horseshoes And Related Products And Manufacture Of Medicines And Vitamins Covering The Whole Of Southern Africa
- Tab & Tattersalls
- Trainer and sale of yearlings
- Training fees
- Bloodstock agent
- Veterinarian
- Breeding, buying and selling horses
- Breeding and stallion premiums

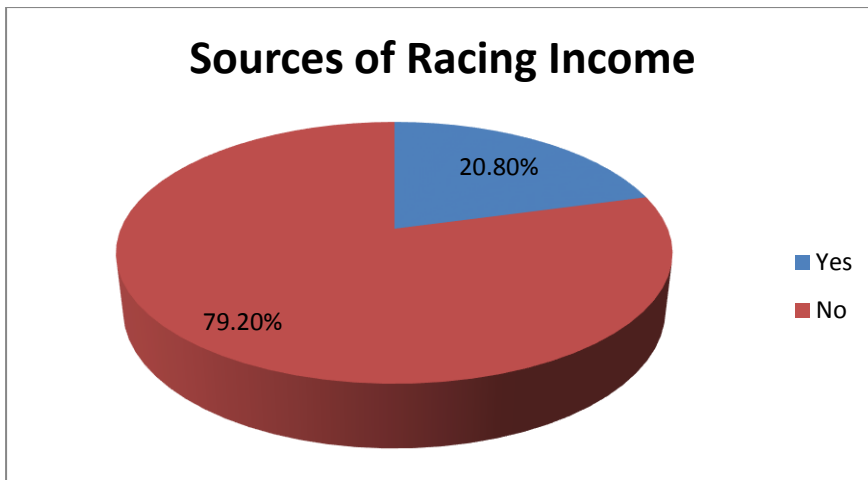


Figure 4.15 Additional sources of racing income, other than stakes

4.2.12. Estimated Running costs

Participants were asked to provide their average estimated cost per horse per month. These costs may include training fees, shoeing, farriers work, race entry fees, travelling expenses, vet bill, insurance, jockey fees, gifts/gratuities for grooms and ownership registration fees (colour renewals). Based on the data provided and collated (table 4.16 in appendix 1), it costs owners an average of R 8329, (R683 000 / 82), per horse per month.

Respondents were asked to specify the amount if it exceeded R 12 500. Most participants used this field to denote that they were actually not incurring any costs as they no longer owned horses. There were also 2 extreme amounts of R 300 000 and R 80 000 which were excluded.

24 of the participants did not respond to this question. The researcher notes however from question 4.3.6 that 18 of the respondents do not have horses registered with the NHRA.

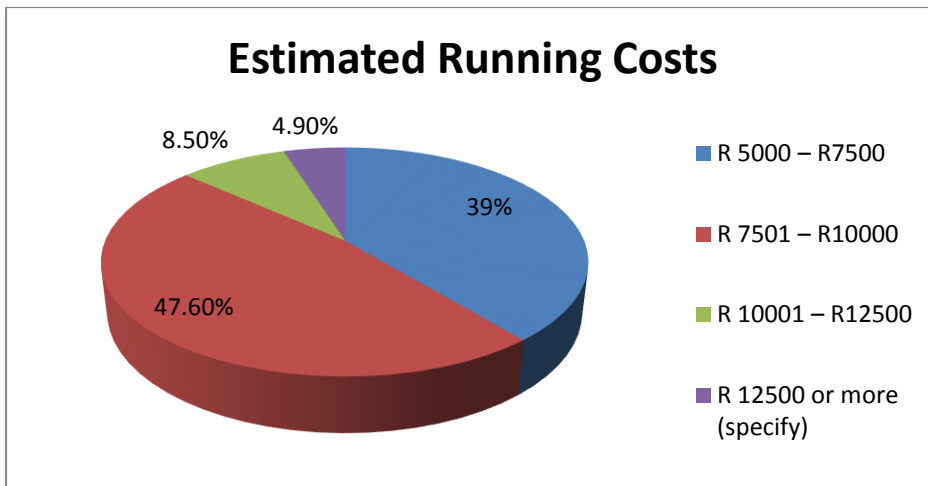


Figure 4.16 Estimated Running Costs

4.2.13. Race horse ownership as a business investment

Is the owning of a race horse a good business investment?

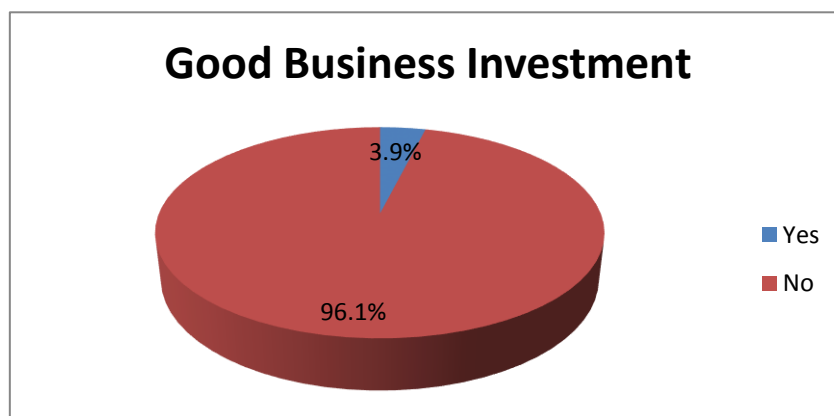


Figure 4.17 Good business investment

96.1% of the participants stated that owning horses was not a “good business investment.” The reasons cited by these participants are categorised and tabulated below. Some participants’ stated more than one reason and all were counted.

Table 4.3 Factors impacting on horse ownership not being a good business investment

Reason	Category	Frequency	Percentage
Stakes are not high enough to cover high maintenance costs, mainly training and vet fees	A	59	60%
Many risks, injury, illnesses and poor performances	B	9	9%
Must have the money to spend on quality breed horses	C	7	6%
Uncertainty about the quality and ability of the horse you are purchasing.	D	4	4%
Horse racing is not an investment or a business it's a sport, in it for the fun	E	13	12%
High trainer fees, poor performance, some trainers not honest and transparent about horses ability and performance	F	7	6%
TOTAL		99	100%

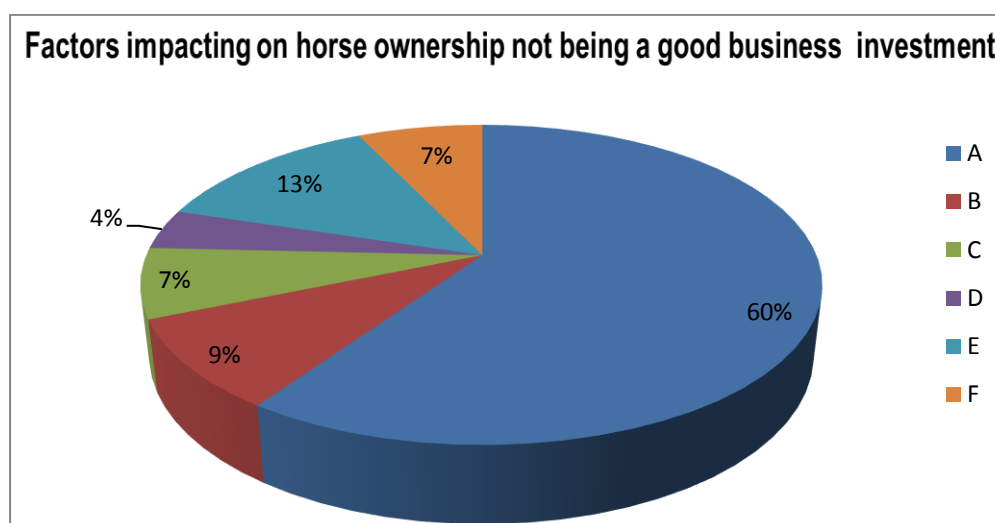


Figure 4.18 Factors impacting on horse ownership not being a good business investment

As noted from the data provided, the vast majority of owners (60%), believe that stakes received is not enough to cover the high maintenance costs of owning horses. One respondent stated that the most horses do not win many more than 1 race, and the stakes earned, on average, after trainer/jockey percentages, over a year, do not recoup:

- a. the purchase price, even if this is divided by 3 or 4, to determine the annual portion of the purchase price, 3 or 4 being used as it probably reflects the average racing life of a horse, and
- b. the costs of training, vet, colour renewals, insurance etc.

The following additional comments were also noted:

- a. “the only way owning a race horse can be a good investment is if the horse is good enough to be sold overseas”
- b. “You are a price taker in this market, irrespective of your input costs. This is not an investment business model to follow in any market”
- c. “Training costs are the same for a R50k horse and a R1mil horse. Recovery of investment is dependent on pure luck. A R50k horse may return more than a R1mil horse”

One participant claimed that most owners are writing off their horse racing expenses against their other income to benefit from a tax perspective. Another claimed that it was no longer an investment because costs are no longer tax deductible.

“The researcher notes that losses incurred from racing cannot be deducted against other income but may be ring fenced and claimed against racing income from future years.”

4 of the participants stated that owning race horses was a good business investment but responses were received from 7 respondents who cited the following factors that could contribute to success:

- “good trainer”
- “hard work in other fields”
- “luck and choosing the breed”
- “astute stallion selection”
- “being part of a syndicate where costs are lower, horses that show form and selling horses that are not performing”
- “betting on horses”
- “limited success but trainer honesty is a necessity”

4.2.14. Movement of horses

Participants were asked to confirm if they had increased or decreased the number of horses they owned over the last 12 months, or if the number of horses they had over the last 12 months remained the same. As noted, from the figure 4.19, 47.5% had decreased the number of horses they owned.

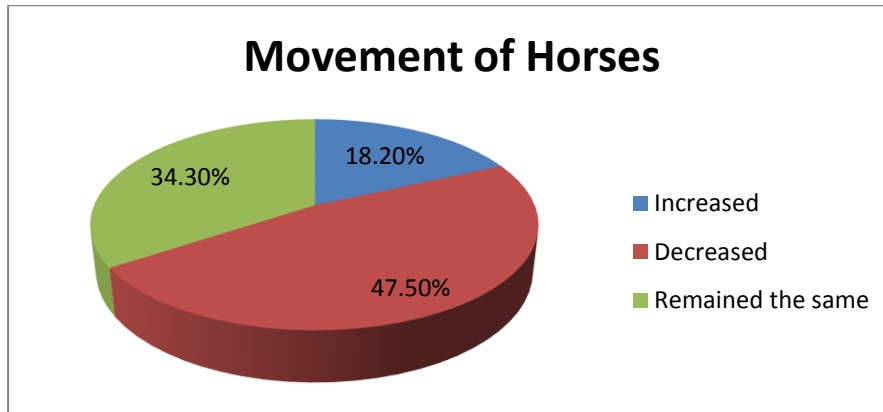


Figure 4.19 Movement of Horses

Table 4.4 Reasons for the decrease in the number of Horses

Reasons for Decrease	Category	Frequency	Percentage
Costs are too high	A	33	61%
Horses Retired / Transferred (racing to breeding, breeding to training etc.)	B	9	17%
Do not enjoy racing on the Polytrack in KZN	C	2	4%
Horse not performing, no potential to earn	D	7	13%
Cannot compete with the big owners	E	2	4%
Unsatisfactory relationship with trainers	F	1	2%

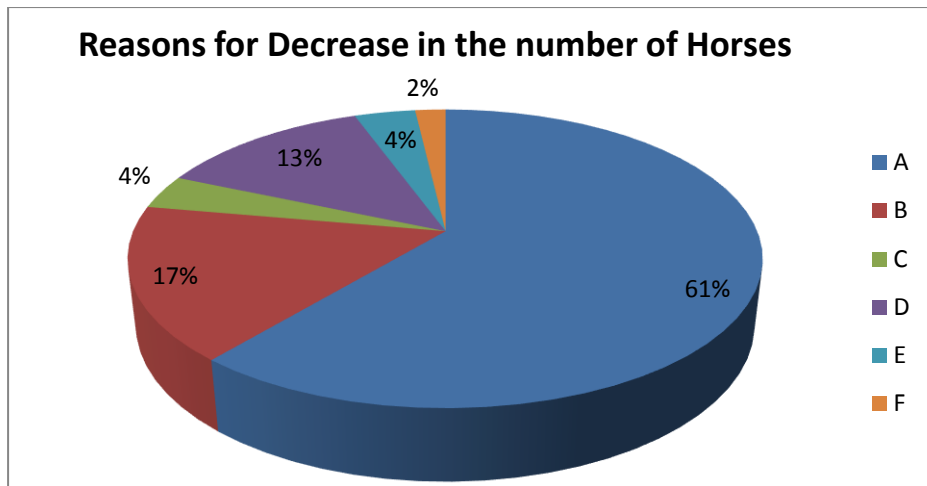


Figure 4.20 Factors leading to a decrease in the number of Horses

4.2.15. Impact of African Horse Sickness (AHS)

How, if any, has the AHS virus affected your involvement in horse racing?

AHS is a highly communicable non-contagious viral disease that is vectoral born and affects all species of Equidae such as horses, zebra, donkeys and mules (African Horse Sickness Trust, n.d.). At present, there are strict controls on the export of SA horses as a result of AHS.

The onerous export protocols, that are currently in place, results in SA horses being sold for 25% of their value (Wits Health Consortium, n.d.).

The majority of participants stated that they were not affected at all especially because the disease is more common in the Western Cape. 11 participants provided feedback that included the following:

- 3 horses died
- preventative vaccinations meant additional costs, horse had to rest for a specified time and lost the potential to earn stakes during this time.
- Costs involved in returning the horses to fitness was huge
- Cancellation of some Cape meetings
- Stopped the export of horses freely. Restricted movement killed the chance of earning foreign currency.

4.2.16. Impact of the International ban on the export of SA horses

If the International ban on the export of SA horses was lifted, would this encourage you to participate more in the industry?

The result of AHS is an International ban on SA horses being exported freely. Horses are quarantined for up to 4 months before they can leave SA. Participants were accordingly asked to confirm if the ban was lifted, would this lead to greater participation in the industry. As noted from figure table 4.21, 29% of the participants agreed that the lifting of the ban will encourage them to be more involved in the industry.

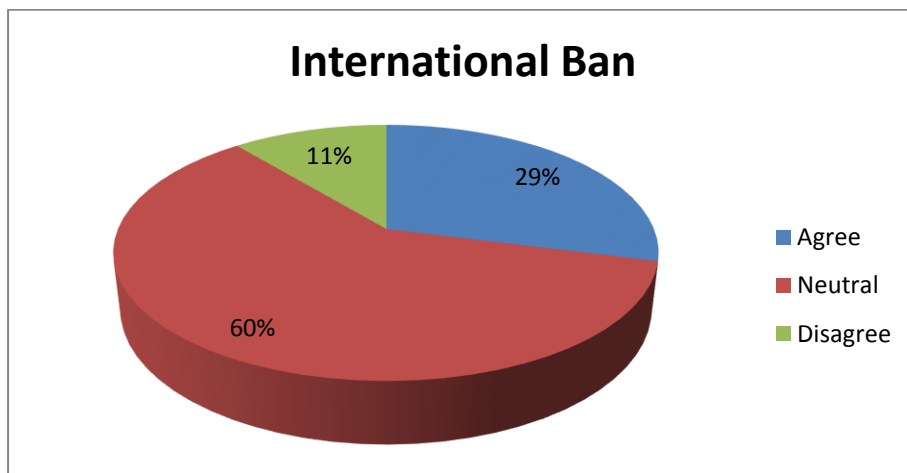


Figure 4.21 Favour Lifting of International Ban

4.3. SECONDARY DATA

Secondary data analysis is a systematic method of evaluating data produced by another source for some other primary reason. These sources could include company financials, industry statistics and government publications. The key to secondary data analysis is to address the research questions by applying theoretical knowledge and conceptual skills.

4.3.1. ASSESSING THE ECONOMIC CONTRIBUTION OF RACE HORSE OWNERS

Owners are the single largest contributors to funding the racing industry through their purchase of horses from breeders and their training and racing expenses paid to trainers, jockeys and supporting service providers such as vets, farriers and horse transport companies (Deloitte, 2013).

4.3.2. Statistical analysis of owners and horses

Data pertaining to the number of registered owners and horses in training in KZN were sourced from the NHA database (National Horseracing Authority, 2016). The numbers of owners and horses in training serve as a key barometer of the health of the racing industry.

The following table reflects the number of owners in KZN registered with the NHA between 2009 and 2015 as well as the horses in training in KZN registered for the same period.

Table 4.5 Number of Owners and Horses in KZN – Adapted from (National Horse Racing Authority, 2016)

Year	Horses in training	Annual % Var.	Cumulative % Var.	Owners	Annual % Var.	Cumulative % Var.
2009	2428			1639		
2010	2322	-4.4%	-4.4%	1474	-10.1%	-10.1%
2011	2174	-6.4%	-10.8%	1395	-5.4%	-15.5%
2012	2263	4.1%	-6.7%	1393	-0.1%	-15.6%
2013	2171	-4.1%	-10.8%	1315	-5.6%	-21.2%
2014	2178	0.3%	-10.5%	1316	0.1%	-21.1%
2015	2280	4.7%	-5.8%	1369	4.0%	-17.1%



Figure 4.22 Number of Owners and Horses in KZN
Adapted from (National Horse Racing Authority, 2016)

As noted in the above diagram, the number of horses dropped significantly from 2009 (2428 horses) to 2011 (2174 horses), a decline of 10.8% and has since remained fairly consistent, seeming like it is once again peaking in the 2015 season. Of concern however, is that the overall number of owners has dropped from in 2009 (1639 owners) to 2015 (1369 owners), a decline of 270 owners equating to 17.1%.

4.3.3. Stakes paid versus costs

Stakes paid by Gold Circle, the racing operator in KZN were obtained from the annual financial statements of the company. The table below provides annual stakes paid as compared to annual costs incurred by owners for the maintenance of horses. The estimated maintenance cost per horse per month was determined from the primary data obtained (refer 4.3.12) and amounts to R 8329 per month per horse for the 2015 year. The relative costs for the preceding years were calculated by factoring CPI.

Table 4.6 Stakes paid versus costs – Adapted from Gold Circle Annual Financial Statements

Year	Stakes (R 000's)	Annual % change in stakes	Horses	Costs	CPI	Total Running Costs	Annual Return of Stakes to costs
2012	80 552		2 263	7 029	5%	190 880	42%
2013	94 643	17%	2 171	7 399	5%	192 759	49%
2014	102 321	8%	2 178	7 829	5.50%	204 619	50%
2015	103 251	1%	2 280	8 329	6%	227 881	45%

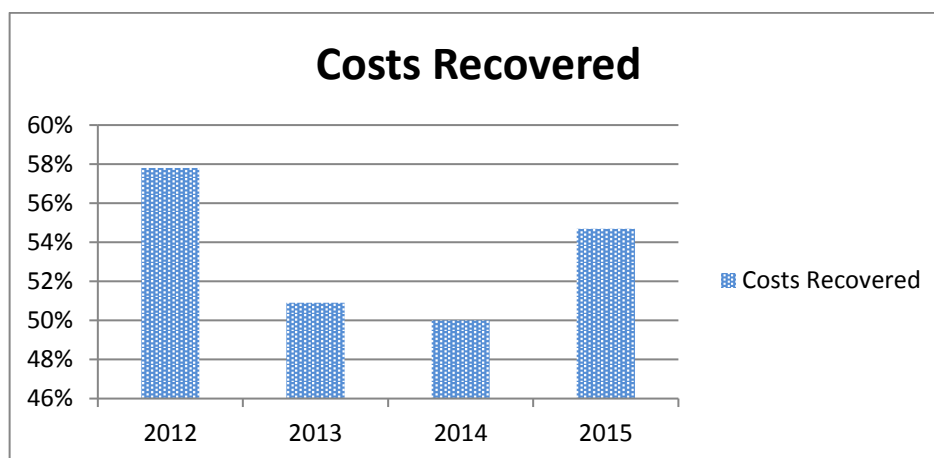


Figure 4.23 Percentage of costs recovered from stakes

4.4. CHAPTER SUMMARY

This chapter provided a comprehensive analysis of the results obtained from the questionnaires, and secondary data. It is evident from the results obtained that the number of owners participating in horse racing in KZN is declining due mainly to costs exceeding income.

The next chapter will provide a more detailed discussion of the results presented in chapter 4. It provides an overview of the research findings linking the findings to the literature review. This chapter addresses the aim and objectives of the study and shows how the data collected supports or refutes the claim.

CHAPTER FIVE

DISCUSSION

5.1. INTRODUCTION

The previous chapter provided an analysis of the findings obtained from questionnaires and secondary data sources. The research design and research methodology were structured in a way as to achieve this goal as adequately as possible.

This chapter will provide a more detailed discussion of the results presented in chapter 4. It provides a comparison and contrast of the empirical research findings linking the findings to the literature review. This is achieved by firstly providing a brief overview of the aim and objectives of the study, followed by an in-depth discussion of the survey results confirming whether the data collected supports or refutes the claim.

5.2. OVERVIEW OF RESEARCH OBJECTIVES

The research objective of the current study was to identify and evaluate the key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KZN. This was achieved by firstly evaluating the racehorse owners' contribution to the economy of KZN. The researcher then set out to establish whether the number of race horse owners in KZN is increasing or decreasing and the impact that this is having on the industry at large. Further, the study aimed to evaluate the economic success or failure of a race horse owner in KZN and to identify the factors impacting on the economic success or failure of the race horse owner in KZN. Finally, the objective of the study was to suggest recommendations on overcoming the factors inhibiting economic growth and sustainability of the race horse owner in KZN.

5.3. WHAT IS THE RACE HORSE OWNERS CONTRIBUTION TO THE ECONOMY OF KZN?

As discussed in chapter 2, race horse owners through direct and indirect actions, make a significant contribution to the economy of KZN via GDP, employment, taxation, tourism, foreign investment, corporate social investment and capital expenditure.

Owners play a pivotal role in the horse racing industry in KZN. The purchase of a horse triggers a cycle of business activity and opportunities for a vast number of stakeholders. These include trainers, jockeys, breeders, and veterinarians, farriers, racing operators, regulators and administrators.

5.4. OVERVIEW OF STATISTICAL ANALYSIS

The statistical analysis indicates the general demographic of respondents to be married, white males, over the age of 51 and residing in KZN. 84.9% of respondents are owners (table 4.7 in appendix 1), and 58.5% of the respondents are members of Gold Circle. 72.6% of respondents state their reason for becoming involved in the industry was as a result of their love and passion for horses.

5.5. ARE THE NUMBER OF RACE HORSE OWNERS IN KZN INCREASING OR DECREASING?

It is evident from the research obtained that the number of owners participating in horse racing in KZN is declining. The current research findings as reflected on table 4.5., indicates a decrease in the number of race horse owners in KZN from 2428 in 2009 to 2280 in 2015 amounting to a 6% decline. Further, and more importantly, the number of horses decreased over the same period from 1639 to 1369 amounting to a 16.5% decline. These findings concur with the literature review wherein it was established that both globally and from a South African perspective, the number of owners and horses have reduced.

According to McManus, et al. (2012), the global horse racing, thoroughbred breeding and gambling industry was worth several hundred billion dollars but the possibility of an economic decline in horseracing is portentous. The British Horseracing industry has experienced financial pressures, a decline in betting, fewer owners and the number of horses in training has dropped. Gribben (2015).

The current research also indicates the perpetual cycle that a decline in the number of owners and horses has on turnover, which effectively leads to a reduction in prize money and hence a further reduction in the number of owners. Accordingly, a report by (Pricewaterhouse Coopers (PWC), 2015), states that 82% of GGR on betting was generated from horse racing in 2010. However, by 2013, the GGR on betting on horse racing had dropped to 65% and reduced further to 54% in 2014. According to Pricewaterhouse Coopers (2015), sports betting is likely to overtake horseracing by 2017, accounting for 57% of the market by 2019 compared with 46% in 2014 and only 18% in 2010.

5.6. EVALUATE THE ECONOMIC SUCCESS OR FAILURE OF A RACE HORSE OWNER IN KZN

5.6.1. Stakes are too low

The statistical analysis indicates that 79.2% of the respondent's only source of revenue from racing is stakes (fig. 4.15). The biggest constraint facing owners is that stakes paid are not increasing in line with costs. This scenario is noted in table 4.6 where stakes paid in KZN in the 2015 year is estimated to have covered only 45% of the costs incurred by owners, excluding the purchase price of horses.

This is confirmed in the annual report of the (International Federation of Horseracing Authorities, 2011), which states that prize money paid to horses racing in SA in 2011 covered only 46% of the cost of horse ownership. SA forms part of the Asian Racing Federation. The average ratio of prize money paid to countries in the Asian Racing Federation compared to costs incurred for the 2011 year was 83% and included high performing countries such as Hong Kong, India and the United Arab Emirates whose

ratios were 103%, 128% and 147% respectively. Hence as a comparison, prize money paid in SA is very low.

96.1% of the respondents note that race horse ownership is not a good business investment (fig. 4.17), however as noted from figure 4.8, the majority of owners became involved in the industry due to their love and passion for horses and not necessarily as a business investment. Table 4.4 indicates that 60% of respondents believe that stakes are not high enough to cover the high maintenance costs, especially training and vet fees. The gap between cost and revenue is widening and small owners in particular, are losing their appetite to participate. Many of the respondents believe that the industry is being sustained by a few big owners. Competition is imperative in horse “racing” and diversity is the key to competition.

5.6.2. Rising cost of ownership

The general state of the economy, changes in monetary policy, increased interest rates, inflation rates and exchange rates impact costs at all levels within the industry. The suppliers to owners and breeders include, trainers, jockeys, vets, farriers, shoeing and feed suppliers and their bargaining power is high as there is generally a limited supply of good quality service providers. Ownership, in particular, mainly via trainers is impacted by increases in feed, bedding, farriers, transport and insurance. As per table 4.5, 61% of respondents stated that their reasons for reducing the number of horses they owned is due to costs being too high. The statistical analysis as per fig. 4.15, concludes that the average cost of owning a thoroughbred race horse in KZN per month is R 8329. A number of respondents highlighted vet costs as being a major concern. The cost of keeping thoroughbreds in training is escalating at a higher rate than CPI and certainly at a far higher rate than any increase in prize money. While many owners stated that their desire to race horses is not necessarily a business investment but rather the love and passion for horses and the thrill of winning, the significant increase in costs coupled with revenue from stakes not increasing accordingly, is causing owners to exit.

5.7. FACTORS IMPACTING GROWTH

The literature review in Chapter two through the use of PESTEL analysis provided insight into the factors that are contributing to the decline. The current study confirms many of these findings and these include inter alia, the following:

5.7.1. Regulation and Licencing Conditions

South Africa's political landscape, changes in legislation and the regulatory framework have a profound impact on the horse racing business (Economic Information Services, 2011). Racing operators are regulated by the Gambling Act and are required to report to both the National Gambling Board as well as the respective Provincial Gambling Board in which it operates (National Gambling Board, n.d.). Standards between both Boards are inconsistent resulting in increased costs and inefficiencies. Inconsistencies also exist amongst the various provincial boards that have different licencing conditions, duration of licences and processes and different gambling taxes and levies (National Gambling Board of South Africa, 2013). In addition, the regulatory framework restricts the expansion plans of the totalisator inhibiting the operation of additional outlets and/or delays in the approval of new products.

The viability and sustainability of Gold Circle's business model is totally dependent on obtaining greater ongoing security in terms of the provincial licence to host racing and leverage that in terms of running a tote operation. The major inhibiting factor to growth is that Gold Circle's licence is renewed on an annual basis restricting the realisation of the company's long term objectives.

5.7.2. Export Protocols

There is an international demand for SA bred horses in light of the successes of horses like "London News" and "Horse Chestnut." The export of SA horses has been growing, hence providing owners an opportunity to receive foreign income through the sale of horses or through participating in races internationally. The SA horse export market

could potentially achieve R 1 billion per annum however currently this investment is estimated to be R 250 million per annum (Sporting Post, 2014). However stringent export protocols due to AHS, means that a horse has to be quarantined for 21 days prior to being shipped to Mauritius where it has to remain for 90 days before being exported. This has resulted in SA bred horses being sold for less than 25% of their true value (Wits Health Consortium, n.d.), hence inhibiting growth. A country such as New Zealand for example, achieved an estimated R 1.9 billion from its investment in the export of horses in the 2012-13 years (New Zealand Thoroughbred Breeders Association). While a partnership between government and the private sector is required, to date, this has not delivered results as this is not a priority for government. As at 2012, government's infrastructure and facilities were fragmented, underdeveloped and inadequate (Sporting Post, 2012). 29% of respondents stated that they will be more involved in the industry if the international ban on the export of SA horses was lifted.

5.7.3. High Risk due to injuries and poor performance of horses

Some owners stated that horse racing is a calculated risk and not a viable investment in today's economic climate. There is great uncertainty about the ability of the horse to perform and hence the purchase of a race horse is a gamble. High costs are incurred long before the horse begins to race. Some trainers are dishonest about the horse's ability to perform.

Horses could sustain injuries and vet bills tend to be quite high. An injured horse is unable to race and earn stakes but upkeep costs continue.

5.7.4. Perception of horse racing

The image of horse racing has been tainted by the legacy of perpetual problems regarding the honesty and integrity of horse racing, due mainly to the fact that racing unashamedly encouraged betting as an integral part of the overall business as opposed to other sports where the betting followed after the establishment of the sport.

There are many negative perceptions about the industry which can be a deterrent to becoming involved. These include inter alia;

- (i) corruption – the perception that the sport is conducted on an unfair basis and that results are “rigged”
- (ii) drugs – the perception that trainers drug their horses to enhance performance.
- (iii) cruelty to animals – in recent years, society has become a lot more conscious of the protection and prevention of cruelty to animals and many perceive horse racing to be a cruel sport. This includes factors such as the use of whips on horses and stories of horses being neglected when they retire or do not perform.
- (iv) The negative perception of gambling and its impact and consequences on the gambler.

The horse racing industry is unique and complex and new comers find concepts such as handicapping, merit ratings and a multitude of betting products difficult to understand hence creating a barrier to entry. The act of placing a knowledgeable bet is far too difficult as compared to playing on the slot machines, bingo, or lottery.

There is increasing emphasis being placed by consumers on sustainable and equitable practices and a concern as to the social citizenship contribution by big business.

Betting takes place “on course” on race days at the race course, “off course” at totalisator branches and agents, that are open 7 days a week, and virtual betting through telephone betting and the internet. While there has been an improvement in the condition of totalisator outlets that facilitate over the counter betting, this has not been significant enough to attract new comers. The condition of some of the outlets, the location and the demeanour of some of the patrons that do attend such establishments, has damaged the perception of the sport.

5.7.5. Fragmentation of stakeholders

Given that the industry comprises such a vast array of stakeholders, fragmentation and discord amongst stakeholders deters from the main focus which is to grow the sport and the industry. As noted from the research findings, the perception amongst some owners is that trainers are dishonest. As per table 4.4, 6% of the respondents stated that high training fees and trainers not being honest and transparent about the horses' ability and performance has contributed to horse ownership not being a good business investment. Some respondents also believe that poor management by the racing operators is contributing to low stakes earned and the NHRA is not properly administered. They claim that the programming of races is poor and tends to suit moderate to poor horses resulting in difficulty in finding appropriate races for better horses. Some owners believe that decisions are always in favour of "Big owners/trainers", and not based on fairness and/or ratings. In addition, some respondents believe that the quality of KZN race tracks are poor and some do not enjoy racing on the Polytrack (an all-weather track which is an alternative to the grass track).

These perceptions, true or not, lead to a lack of co-operation amongst stakeholders hence inhibiting growth.

5.7.6. Profile of Owners

It is concerning that the average age of race horse owners is between the ages 51 and 60 as noted in table 4 of the appendix. Racing's inability to attract the younger generation through ownership, is concerning in terms of sustainability of the industry in light of the ownership base being on the decline already.

(Shankin, 2009), on discussing racing in the USA states that people were previously satisfied to attend horse races to socialize and handicap in the 30-40 minutes between races, while spending four or five hours at a racetrack. However, the younger generation of today have a fading Attention Span and a need for instantaneous communications made possible by cell phones, computers, and instant messaging services and social networking sites like Twitter, Facebook and YouTube.

Racing's inability to attract more young fans and additional patrons from the fast-growing African population in particular is an inhibiting factor to growth.

5.7.7. Competition

Through the use of PORTER's FIVE FORCES analysis in chapter 2, it was noted that competition within the industry is high. The industry is facing intense competition from other forms of gambling as noted in table 2.5. and figure 2.9. These include casinos, limited payout machines, national lottery and bingo. Online gambling and casinos, in particular offer punters the advantage of being available 24/7 and games are easy and quick to learn and play as compared to betting on thoroughbred racing. Bookmakers sell fixed odds bets as an alternate to pari-mutual betting. In fixed odds betting, the punter knows up front what he is likely to win should he be successful. Bookmakers are a major competitor to the totalisator and are able to provide betting opportunities on all sporting events as well as horse racing.

Figure 2.10, under the literature review, illustrates the gradual growth in betting through the totalisator between 2009 and 2013 however the growth in betting through the bookmaker has been rapid and significantly higher. Figure 2.11, illustrates that the growth potential in sports betting on other events has only been exploited by the totalisator since 2012 whereas growth by bookmakers since 2009 has been increasing rapidly.

The growth of betting on other sporting events as compared to horse racing suggests, that bookmaker's dependence on the racing product is likely to diminish thereby continuing to inhibit growth.

5.8. CHAPTER SUMMARY

The focus of this chapter was to summarise the factors impacting socio economic growth and sustainability of race horse owners in KZN. It was established that factors impacting one area of the industry had an effect on the industry as a whole. Through the statistical analysis of the research as well as the literature review, the various factors were identified and discussed.

In the next chapter, the researcher makes recommendations on mitigating these factors so as to positively impact race horse owners and the industry as a whole. Suggestions for future studies are also included.

CHAPTER SIX

RECOMMENDATIONS and CONCLUSIONS

6.1. INTRODUCTION

The research findings as discussed in the previous chapter supported the claim that there are factors impacting the socio-economic growth and sustainability of race horse owners in KZN.

In this chapter, the researcher presents recommendations to mitigate the factors impacting the socio-economic growth and sustainability of race horse owners in KZN. Due to the evolving nature of research, some questions may not be answered completely which identifies a gap in research for future and further studies. Accordingly, the researcher proposes areas for future studies that have not been fully explored in the current research.

6.2. RECOMMENDED STRATEGIES FOR SOCIO-ECONOMIC GROWTH AND SUSTAINABILITY OF RACE HORSE OWNERS IN KZN

As explained in chapter 1, the interrelationship and dependence that exist between the various stakeholders i.e. breeders, owners, trainers, jockeys and betting, means that the factors that influences the one stakeholder is likely to have an impact on all other stakeholders. Accordingly, in light of the pivotal role that owners play within the industry, in order to identify the factors that are impacting the growth of owners, one has to ascertain the factors impacting the growth of the industry.

A somewhat obvious recommendation to improve growth and sustainability for race horse owners would be to “increase stakes” however as indicated throughout the research, this can only be achieved if sources of revenue to the industry increase. With this in mind, the following recommendations are proposed:

6.2.1. Promotion of Syndicates as a form of ownership

The ownership of race horses was traditionally seen as a symbol of wealth/position. The reduced popularity of horse racing combined with escalating costs and the availability of other 'status' driven activities, has resulted in a perpetuation of the traditional ownership demographic as being primarily white and wealthy. The horse racing industry has historically been perceived as "white" and "elitist." There is an imperative to encourage a broadening of this profile and transformation within the horse racing industry in KZN, is a strategic imperative (Kwazulu-Natal Gambling Board, 2010).

As noted in the research findings, the risks involved in owning a thoroughbred race horse are high and costs involved can be quite exorbitant with no guarantee of a return. The challenge is that it is extremely difficult to entice ownership in an investment that offers low returns and the interest of black participants in the sport is limited. This has been highlighted in the demographic component of the study. The reality is that the owning of horses is driven by a passion for the sport of horse racing, as noted in the research findings.

The majority of race horse owners in KZN are single owners (71% according to NHRA statistics in 2015). Marketing strategies, targeting specific demographics like blacks and the younger market, should be implemented to promote ownership through syndicates. Lowering the risk and costs, makes race horse ownership accessible to all types of people. It can also be a better opportunity to socialise with like-minded people and this should be promoted more actively. This strategy has proven to be very successful internationally in countries like Great Britain (Deloitte, 2013, p. 29).

The racing operator in KZN, in partnership with the Department of Sport and Recreation, has been proactively developing and promoting rural racing in the province. Racing events like the Dundee July, Sisonke Summer Cup and Willowfontein Race day have become popular events attracting a growing number of people year on year. Gold Circle must continue to remain involved in rural racing, an activity which enjoys a broader, working class, ownership profile. This strategy together with the promotion of syndicates can lead to increased black participation.

This is also an opportunity to increase economic activity and employment in rural areas where limited opportunities exist thereby fostering a positive relationship with government.

6.2.2. Alternate Sources of Income

In order to remain sustainable, the racing operator has realised and is sourcing alternate forms of revenue, other than local betting. This includes growth in the sale of local racing to overseas markets hence increasing International revenue. In addition, local facilities and venues are being utilised for ancillary services such as hospitality and conferencing. These strategies will lead to an increase in revenue which can be utilised to increase stakes. In order to sustain the International market, more local races is required, hence an increase in stakes can lead to more races.

The export of horses internationally for sale or to compete can create an excellent opportunity for foreign investment and serve as a driver to attracting and retaining owners. Government support is necessary and more funding and support must be contributed to reducing the protocol involved in the export of horses. SA's aim to bid for the 2024 Olympic Games rests on this premise to assure participating countries that their horses will be safe from contracting the disease. Hence, government support and funding towards this project is likely to be more available and should be more actively pursued. A joint venture is required between government and the private sector to in order to improve the economics of horse movements.

Racinos are a hybrid of the race track and casinos and have been successfully implemented in the USA and Canada to restore an industry that was once in decline. Casinos / slots that are viewed as competitors may actually be able to complement horse racing. This strategy has also delivered positive outcomes at off course outlets where the availability of the totalisator, bookmaker and slot machines attracts a wider base than any of those operations individually. The challenge to establish such a facility, is the regulatory / legal framework that exists. Greater engagement with government is necessary to promote this strategy.

Gold Circle is the major shareholder in a subsidiary bookmaking business called Track and Ball. This is a great opportunity to expand into fixed odds betting, identifying and driving synergies so as to grow the business beyond the totalisator operations.

6.2.3. Marketing Strategy

As noted from table 4.5. 75% of the respondents are over the age of 51. 92.3% of respondents are over the age of 41. At the outset, this was concerning however it was noted that an investment in race horse ownership is an expensive hobby that is affordable to older people that have a greater amount of disposable income available. Racing's inability to attract the younger generation through betting however, is concerning in terms of sustainability of the industry.

Advances in technology have impacted on business worldwide. Technology can lead to a business's success or destruction. It has and continues to play a role in the development of gambling practices and provide new market opportunities (Griffiths & Parke, 2002). One of the fastest growing areas was that of Internet gambling. The latest wave set to hit the gambling industry in SA, is the legalisation of online gambling (Becker, 2015). Accessible, effective and affordable technology combined with increasing urban mobility challenges will result in a less face-to-face dependent world. The industry has to modernise itself so as to appeal to the younger generation. Racings inability to stay abreast of technological advancements so as to remain competitive is an inhibiting factor to growth.

It is vital for the industry to become younger and more reflective of the South African demographic. A marketing strategy that encompasses technology and digital growth should be implemented to widen the audience base, especially the youth. While race day promotions are necessary, greater focus should be placed on innovation and digital marketing to attract new comers either to the race course or more importantly to betting. Digital marketing must promote virtual betting more actively. Social media techniques must be leveraged to create a base for communication with the new younger prospect base. Horse racing must be repositioned as a form of sporting entertainment rather than pure gambling leading to a change in perceptions.

6.2.4. Increasing direct government support

SA's political landscape, changes in legislation and the regulatory framework have a profound impact on the horse racing business. Racing operators are regulated by the Gambling Act and are required to report to both the National Gambling Board as well as the respective Provincial Gambling Board in which it operates. Standards between both Boards are inconsistent resulting in increased costs and inefficiencies. Inconsistencies also exist amongst the various provincial boards that have different licencing conditions, duration of licences, processes and differences in gambling taxes and levies. In addition, the regulatory framework restricts the expansion plans of the totalisator inhibiting the operation of additional outlets and/or delays in the approval of new products.

The viability and sustainability of Gold Circle's business model is totally dependent on obtaining greater ongoing security in terms of its provincial licence to host racing and leverage that in terms of running a tote operation. The major inhibiting factor to growth is that Gold Circle's licence is renewed on an annual basis restricting the realisation of the company's long term objectives.

Research findings indicate that the industry is in constant communication with government to provide a better understanding of the industry, its contribution to the economy, tourism and sporting sectors, its benefits and challenges. This process must continue so as to achieve alignment between provincial and National legislation and conformity with other gambling entities (Lotto, casino's etc.) for:

- Taxation
- Licence renewal terms

There is a need to secure a closer working relationship with the eThekweni Municipality who are the leaseholders of the Greyville Racecourse, the flagship of racing in KZN. Many of the initiatives that the operator wishes to implement, so as to facilitate better use of the Racecourse, are inhibited as a result of the terms of the lease agreement.

6.2.5. Slow growth of sponsorship

Horse racing is generally perceived by the majority of the public and a number of stakeholders to be a form of betting as opposed to a bona fide sport in its own right. Perhaps as a consequence of reduced 'free to air' television coverage, the complexity of the betting products and/or a concern as to racing's integrity, the sport is not viewed positively by a great number of South Africans as well as the Corporate market, i.e. horse racing comes across as either a 'second division' or fringe sport. This not only inhibits the betting potential of the sport but certainly is a barrier of entry of new owners (investors) and impacts negatively on Gold Circle's ability to attract sponsorship from a broad base of corporates with a massive variety of global sport available.

In the past, corporates were more willing and able to contribute to the sport in return for the publicity and promotion that they received through association with racing especially major events like the Durban July and Gold Cup. Changes in legislation regarding the promotion of smoking and alcohol consumption have resulted in the exit of sponsors like Rothmans and Mainstay who were synonymous with racing. In addition, the state of the economy and competition from other forms of entertainment and gambling has resulted in slow growth of sponsorship income thereby contributing to the decline of the industry. 'Free to air' television channels and the media have reduced their coverage of horse racing and as a consequence Racing has to pay, rather than be paid (like other sports), for any coverage it receives (e.g. The Vodacom Durban July).

6.3. SUGGESTIONS FOR FUTURE RESEARCH

The researcher notes that there are inconsistencies between betting on horse racing and other forms of gambling, i.e. bookmakers, casinos, slots etc. both in terms of take-out rates, taxation and licencing requirements to name but a few. For the purpose of future studies, the researcher proposes an analysis of the various forms of gambling, the differences and similarities and the impact of these factors on each business entity's growth or decline.

Any of the factors identified in chapter 5 as inhibiting growth or the recommendations made, may be further explored as a research study.

6.4. CHAPTER SUMMARY

The focus of this chapter was to make recommendations to mitigate the factors impacting socio economic growth and sustainability of race horse owners in KZN.

These recommendations included:

- the promotion of syndicates as a form of ownership,
- a market strategy that focuses on innovation and technology,
- expediting the need to find a vaccine so as to facilitate the export of horses,
- finding synergistic opportunities such as racino's and venturing into bookmaking,
- increasing direct government support and
- proactively venturing in rural racing

The chapter concludes with suggestions for future studies.

6.5. CONCLUSION

The research indicates that the horse racing industry in KZN has experienced many challenges and various factors have contributed to the economic downturn of the industry. These factors include regulation and licencing conditions, export protocols, high risk due to injuries and poor performance of horses, negative perceptions of horse racing, fragmentation of stakeholders, competition and the aging profile of owners. These factors have impacted race horse owners mainly in terms of the level of prize money not adequately covering the costs incurred. Findings of the research also indicate that financial return is not the key driver of horse ownership. Owners are willing to spend a certain amount of money to experience the love, passion and exhilaration that comes with owning a horse. This emotional experience drives the industry impacting on breeding, training and betting, contributing to GDP, employment and taxes. That being said, if the gap between prize money and costs continue to increase, the experience will become unaffordable and more owners will exit the industry. It is therefore important to ensure that owners receive a reasonable financial return for long term sustainability of the industry. Alternative forms of income needs to be sourced, a more aggressive and technologically driven marketing strategy must be adopted and government funding and support is essential.

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APPENDIX 1



25 May 2016

Ms Veronica Nathan (9036012)
Graduate School of Business & Leadership
Westville Campus

Dear Ms Nathan,

Protocol reference number: HSS/0552/016M

Project title: Evaluating key strategic factors impacting the socio-economic growth and sustainability of race horse owners in KwaZulu-Natal

Full Approval – Expedited Approval

With regards to your application received on 13 May 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Dr Abdul Kader
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

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APPENDIX 2

Informed Consent Letter 3C

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

MBA Research Project

Researcher: Ms. Veronica Nathan (031-3141738)

Supervisor: Dr. Abdul Kader (031-3641048)

Research Office: Mr P Mohun 031-2604557

I, Veronica Nathan am an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled “Evaluating key strategic factors impacting the socio-economic growth and sustainability of race horse owners in Kwazulu-Natal”

The aim of this study is to establish a strategy of mitigating the factors that have a negative impact on the socio-economic growth and sustainability of race horse owners in Kwazulu-Natal.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 15 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator’s signature _____ Date _____

This page is to be retained by participant

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

MBA Research Project

Researcher: Name (Telephone number)

Supervisor: Name (Office Telephone number)

Research Office: Mr P Mohun 031-2604557

CONSENT

I..... (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

I hereby consent / do not consent to have this interview recorded.

SIGNATURE OF PARTICIPANT

DATE

.....

This page is to be retained by researcher

APPENDIX 2

Sample Template for Cover Page of Questionnaire / Interview Schedule 3B
--

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS & LEADERSHIP**

MBA Research Project

Researcher: Ms. Veronica Nathan (031-3141738)

Supervisor: Dr. Abdul Kader (031-3641048)

Research Office: Mr. P Mohun 031-2604557

Evaluating key strategic factors impacting the socio-economic growth and sustainability of race horse owners in Kwazulu-Natal

The purpose of this questionnaire is to solicit information from race horse owners in Kwazulu-Natal regarding their socio-economic contribution to the horse racing industry and the Province of Kwazulu-Natal. In addition, the survey seeks to establish whether the number of race horse owners is increasing or decreasing and whether being a race horse owner is economically viable and sustainable. The information and ratings you provide will go a long way in helping to identify the factors that are impacting on the socio economic growth of race horse owners. The questionnaire should only take 10-15 minutes to complete. In this questionnaire, you are asked to indicate what is true for you, so there are no “right” or “wrong” answers to any question. Work as rapidly as you can. If you wish to make a comment please write it directly on the questionnaire itself. Make sure not to skip any questions. Thank you for participating.

1. Please confirm your gender, tick the appropriate box:

Male Female

2. Please confirm your race, tick the appropriate box:

- (a) African
- (b) Coloured
- (c) Indian
- (d) White
- (e) Other (specify) _____

3. Please confirm your marital status, tick the appropriate box:

- (a) Single
- (b) Married
- (c) Divorced
- (d) Widowed

4. Please confirm your age, tick the appropriate box:

- (e) 30 years or younger
- (f) 31 – 40 years
- (g) 41 – 50 years
- (h) 51 – 60 years
- (i) 61 years or older

5. Are you domiciled in Kwazulu Natal?

Yes

No

6. Tick all that apply, are you a:

- (a) Race horse owner
- (b) Breeder
- (c) Trainer
- (d) Member of Gold Circle
- (e) Other industry related party (specify) _____

7. What were your reasons for becoming involved in race horses? Please tick all options that apply.

- (a) Entertain family and friends, fun, pleasure, enjoyment of the game
- (b) As a sport, to compete and win
- (c) For the love/passion of horses
- (d) Grew up with horses
- (e) Other, (specify) _____

8. As a race horse owner, how many horses do you own that are registered with the National Horse Racing Authority?

- (a) 1 - 5
- (b) 6 - 10
- (c) 11 - 20
- (d) 21 - 30
- (e) 31 or more (specify) _____

9. Following from your answer in question 8, how many horses do you own that are registered with the National Horse Racing Authority and are domiciled in Kwazulu-Natal?

- (f) 1 - 5
- (g) 6 - 10
- (h) 11 - 20
- (i) 21 - 30
- (j) 31 or more (specify) _____

10. How long have you been a race horse owner?

- (a) 1 – 5 years
- (b) 6 – 10 years
- (c) 11 – 20 years
- (d) 21 – 30 years
- (e) 31 or more years (specify) _____

11. Do you employ any other staff related to your horse racing business?

 Yes No

12. If you answered "yes" to question 11, please state how many people you employ (both full time and part time)

13. Do you have horses racing out of province but within the borders of South Africa?

 Yes No

14. If you answered "yes" to question 13, how many on average over the last 12 months _____

15. Do you have horses racing internationally?

 Yes No

16. If you answered "yes" to question 15, how many on average over the last 12 months _____

17. Are horse related activities your primary source of income?

 Yes No

18. Aside from stakes, do you earn any other source of income that is racing related?

 Yes No

19. If you answered "yes" to question 18, please specify

20. Provide an estimate of your total running costs (vet bills, training, feed, transportation and any other costs) per horse for the month?

- (a) R5000 – R6000
- (b) R6001 – R7000
- (c) R7001 – R8000
- (d) R8001 – R8500
- (e) R8501 or more (specify) _____

21. Are you involved in the sale/purchase of horses?

 Yes No

22. Based on your experience, is owning race horses a good business investment?

 Yes No

23. If your answer to question (22) is "no", please explain why?

24. If your answer to question (22) is "yes", what do you believe is leading to your success?

25. Over the last 12 months, has your stock of race horses

- (a) increased
- (b) decreased
- (c) Remained the same

26. With reference to question 25, what were the main reasons for the increase or decrease?

27. Has African horse sickness impacted your horses? If yes, please explain.

 Yes No

28. Have you exported your horses overseas?

 Yes No

29. If the International ban on the export of South African horses was lifted, would this encourage you to participate more in the industry?

- (a) agree
- (b) disagree
- (c) neutral

30. What do you believe are the positive factors of owning race horses?

31. What do you believe are the negative factors of owning race horses?

End of the Questionnaire

Thank you for taking the time to complete the questionnaire.

APPENDIX 3

Gender of respondents

	Frequency	Percentage
Male	91	86.7
Female	14	13.3
Total	105	100.0

Table 1 Gender of respondents

Race of respondents

	Frequency	Percentage
African	1	1.0
Coloured	2	1.9
Indian	24	23.4
White	74	71.8
Other	2	1.9
Total	103	100.0

Table 2 Race of respondents

Marital Status of respondents

	Frequency	Percentage
Single	13	12.5
Married	71	68.3
Divorced	14	13.4
Widowed	6	5.8
Total	104	100.0

Table 3 Marital status of respondents

Age of respondents

	Frequency	Percentage
30 or younger	2	1.9
31 – 40	6	5.8
41 – 50	18	17.3
51 – 60	40	38.5
61 or older	38	36.5
Total	104	100.0

Table 4 Age of respondents

Respondents domiciled in KZN

	Frequency	Percentage
Yes	94	93.0
No	7	7.0
Total	101	100.0

Table 5 Respondents domiciled in KZN

Affiliation to the Industry

	Frequency	Percentage
Race horse owner	90	84.9
Breeder	34	32.1
Trainer	6	5.6
Member of Gold Circle	62	58.5
Other	15	14.2

Table 6 Racing Participation / Connection / Membership

Reasons for involvement

	Frequency	Percentage
Socialising	28	26.4
As a sport, to compete and win	37	34.9
For the love & passion for horses	77	72.6
Grew up with horses	22	20.8
Other	5	4.7

Table 7 Reasons for involvement in Racing

Number of horses owned, registered with the NHA

	Frequency	Median	Weighted Average	Percentage
0	14	0	0	13.4
1 – 5	57	2.5	142.5	54.8
6 – 10	17	7.5	127.5	16.4
11 – 20	13	15	195	12.5
21 – 30	3	25	75	2.9
Total	104		540	100.0

Table 8 Number of Horses

Horses registered with the NHA and domiciled in KZN

	Frequency	Median	Weighted Average	Percentage
0	18	0	0	17.6
1 – 5	53	2.5	132.5	52.0
6 – 10	15	7.5	112.5	14.7
11 – 20	12	15	180	11.8
21 – 30	4	25	100	3.9
Total	102		525	100.0

Table 9 Number of Horses domiciled in KZN

Years of ownership

	Frequency	Median	Weighted Average	Percentage
1 – 5	17	2.5	42.5	16.2
6 – 10	21	7.5	157.5	20.0
11 – 20	23	15	345.0	21.9
21 – 30	23	25	575.0	21.9
31 or more (specify)	21			20.0
Total	105		525	100.0

Table 10 Number of years of owning horses

Direct Employment

	Frequency	Percentage
Yes	20	19.2
No	84	81.8
Total	104	100.0

Table 11 Direct employment created in racing

Out of province racing

	Frequency	Percentage
Yes	36	34.6
No	68	65.4
Total	104	100.0

Table 12 Horses racing out of KZN but within borders of SA

Horses racing Internationally

	Frequency	Percentage
Yes	5	4.8
No	97	95.2
Total	104	100.0

Table 13 Horses racing Internationally

Sources of Income from Racing, other than Stakes

	Frequency	Percentage
Yes	21	20.8
No	80	79.2
Total	101	100.0

Table 14 Sources of Racing Income, other than Stakes

Estimated Running costs

	Frequency	Median	Total Running costs	Percentage
R 5000 – R7500	32	R6250	R 200 000	39.0
R 7501 – R10000	39	R8750	R 341 250	47.6
R 10001 – R12500	7	R11250	R 78 750	8.5
R 12500 or more (specify)	4	R15750	R 63 000	4.9
Total	82		R 683 000	100.0

Table 15 Estimated running costs

Race horse ownership as a business investment

	Frequency	Percentage
Yes	4	3.9
No	99	96.1
Total	103	100.0

Table 16 Good business investment

Increase / Decrease in Numbers of horses

	Frequency	Percentage
Increased	18	18.2
Decreased	47	47.5
Remained the same	34	34.3
Total	99	100.0

Table 17 Movement of Horses

Impact of the International ban on the export of SA horses

	Frequency	Percentage
Agree	29	29.0
Neutral	60	60.0
Disagree	11	11.0
Total	100	100.0

Table 18 Impact of International Ban on export of Horses