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THE STATE OF THE ONLINE SPORT BETTING INDUSTRY IN SOUTH AFRICA

By

M.B. Nienaber

MINOR DISSERTATION

Submitted in partial fulfilment of the requirements for the degree

MAGISTER COMMERCII

In

BUSINESS MANAGEMENT

in the

FACULTY OF MANAGEMENT

at the

UNIVERSITY OF JOHANNESBURG

Supervisor: DR. D. Groenewald

JANUARY 2016
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ACKNOWLEDGMENTS

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A special thank you to Dr Groenewald without whom the completion of this minor dissertation would not have been possible. I am more grateful to her than she will ever know. I thank her for the enthusiasm for the subject matter and for tirelessly providing me with revisions in a limited time span.

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ABSTRACT

Online sport betting is not only a means of entertainment but is also an income generating means for Governments and organisations around the world. Up until 1994 online sport betting in South Africa was illegal. Consequently many travelled outside of South African borders to participate in gambling activities which meant that the Government was losing huge sums of tax revenue. The legalisation of online sport betting in 1994 meant that Governments could now benefit from this type of gaming revenue, benefiting economic and employment development.

Since 1994 the online sport betting industry has seen tremendous growth, surpassing horse racing in the gambling industry and currently sitting second, behind casinos, in the Gross Gambling Revenue generated country wide. Within the online gambling industry in SA and worldwide, sport betting and horse racing fall into separate categories due to their history and betting types. Horse racing has existed for hundreds of centuries and requires a specific set of betting markets to be able to place a bet never mind the percentage of winnings that are taxed and put back into the sport. Sport betting on the other hand has only been in existence for one decade and affords the flexibility to offer different and various other markets to be bet on, and is not required to pay tax.

Up until now the limited research available on online sport betting in SA makes it difficult for one to understand sport betting, its history and growth. The areas of growth within the sport betting industry are unclear, the reason how online sport betting has managed to surpass horse racing and compete with casinos is unknown and the sport betting industry regulation and operation is complex. It is these questions that led to the research problem. The information that is easily accessible on the online sport betting industry is limited, resulting in one having to sift through numerous websites and various articles to begin to understand that sport betting is illegal, the regulation of the sport betting industry, how the sport betting industry operates and how does one partake in sport betting. The primary objective of the study is to provide an in depth analysis of the state of the online sport betting industry in South Africa.

The analysis of the sport betting industry will be completed by using identified secondary objectives. Secondary objectives are the identified aspects that will lead to
the achievement, agreement or disagreement of the identified primary objective. The secondary objectives of this study are to investigate the history and current state of online sport betting in SA, to analyse the legalities and regulation of online sport betting in SA, to identify the organisations currently involved and dominating the online sport betting industry in SA, to explore the growth of the online sport betting industry in SA, to consider the technological advancements within the industry and, to identify the ‘perceived to be’ customers of an online sport betting organisation from an organisations perspective.

The sport betting industry in SA is a complex one that requires information and knowledge to be able to place a well-informed bet that will potentially result in a win for a punter. Individuals who place a bet and win will most probably place a second bet with ease, those who lose their first bet will either never place a bet again or become more intrigued. This will lead an individual to carry out more research and investigation to place a better bet the next time. The information currently available is scattered and complicated at best. Organisations need to work together and develop an information portal that helps individuals understand sport betting as a whole.

Qualitative research were done to analyse the sport betting industry is SA, the sample size of the study included top managers and CEOs that are currently involved in the sport betting industry. These top managers and CEO provided their experience and knowledge in the following areas: the growth of the sport betting industry, the regulation of the sport betting industry, the growth of mobile devices, the use of the Internet, and the penetration of broadband. These areas are analysed in depth, using the literature that is available and the market assessments carried out worldwide. The data collection process was by means of an interview schedule that was made up of the areas listed above. The data collected was then analysed via a content analysis and evaluated based on the answers received from the participants.

The analysis provides an overview of the sport betting industry in SA from its legalisation in 1996. From 1996 the sport betting industry has experienced many regulation changes, technological improvements, and target market shifts all which are discussed in the analysis.

Since the legalisation of sport betting in SA in 1994, individuals have access to over 30 different bookmakers on any given day varying from land-based stores to online
sites. To date, organisations that have a mix of landbased stores and online sites are operating at a more profitable and successful rate than those that are only landbased or online. The reason for this is because bookmakers have access to all LSM groups within SA, resulting in no boundaries to cross or hurdles to jump to gain access to the respective target market.

The biggest regulatory hurdle is currently FICA. The new FICA policy prevents any individuals from even placing one bet whether this is depositing money online or paying cash in a land based store, no transaction or interaction can take place without an individual providing a copy of identification and proof of residence. This is proving most difficult as individuals do not readily carry these documents with them. Currently FICA is more a deterrent than an enabler.

The growth of the sport betting industry as a whole has resulted in horse racing operators such as Phumelela, who offer only horse racing, branching out into sport betting and online sport betting.

Individuals who are interested in sport betting as a profession, or are interested in sport betting as a business, marketing or education tool can use this analysis as an introduction into the general sport betting and online sport betting industries respectively to gain valuable information, from influential individuals in the sport betting industry.
AFFIDAVIT: MASTER'S AND DOCTORAL STUDENTS
TO WHOM IT MAY CONCERN

This serves to confirm that I, Maxine Nienaber, (Full Name(s) and Surname)
ID Number 8807020008082
Student number 20070974 enrolled for the Qualification Mcom Business Management
Faculty Business Management

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Signed at Fourways on this 25 day of January 2016.

Signature

Print name MAXINE NIENABER

Affidavit certified by a Commissioner of Oaths

This affidavit conforms with the requirements of the JUSTICES OF THE PEACE AND COMMISSIONERS OF OATHS ACT 16 OF 1963 and the applicable Regulations published in the GG GNR 1258 of 21 July 1972; GN 903 of 10 July 1968; GN 109 of 2 February 2001 as amended.
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<th>DEFINITION</th>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>DSTV</td>
<td>Digital Satellite Television</td>
</tr>
<tr>
<td>FICA</td>
<td>Financial Intelligence Centre Act</td>
</tr>
<tr>
<td>GGR</td>
<td>Gross Gambling Revenue</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>ITU</td>
<td>International Communication Union</td>
</tr>
<tr>
<td>KZN</td>
<td>Kwazulu-Natal</td>
</tr>
<tr>
<td>LPM</td>
<td>Limited Payout Machine</td>
</tr>
<tr>
<td>LSM</td>
<td>Living Standard Measure</td>
</tr>
<tr>
<td>NGB</td>
<td>National Gambling Board</td>
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<td>NHA</td>
<td>National Horse racing Authority</td>
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</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
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CHAPTER 1

INTRODUCTION

1.1. BACKGROUND AND INTRODUCTION

From the 18th to the 21st century, through various literature it can be concluded that sport has evolved from a mere pastime played between friends into a competitive, thriving, money-driven industry. This notion is further confirmed by Van Wyk (2008: 1-9) who commented that, "Sport is no longer only seen as a relaxing way to exert energy and interact with friends and families but it is a universal language that can bring nations together, educate individuals, entertain millions and in the past decade a business that can generate billions. Sport has grown into a multi-dollar industry that has generated millions for players, sponsors and sport partnerships." An example of how sport has grown into a multidollar industry can be seen when one looks at the evolution of prize money.

The first British Golf Open Championship (The Open), in 1860 was only contested by eight players and instead of prize money, a red leather belt with a silver buckle was awarded to the winner. In 2015 the winner of the Open, Zach Johnson, took home the claret jug (replaced the red leather belt) and $1.8 million in first-place prize winnings (Sandritter, 2015). Wimbledon has been played professionally since 1968 with prize money ranging from £2000 to the winner of the gentleman’s singles to a measly £750 awarded to the winner of the ladies’ singles. In 2015, the ladies and gentlemen’s singles, Wimbledon prize money was an exorbitant £1.88 million each. This is excluding all endorsement and sponsorship deals that players had signed prior to stepping onto their respective fields, tracks or courts (Totalsportek2, 2015). As more individuals watch sports and attend sporting games, so is more money spent on the sport itself. The increase in sporting professionals, stadiums, sporting apparel, increased broadcasting rights and sporting salaries have all been realised through commercialisation. Commercialisation of sport has transformed sport from just a game on a field, to a business and money-making venture for all business and sporting professionals. As postulated by Robinson in Houlihan (2008: 307) “…sport is a big business,…it is obvious that sport is no longer a pastime, organised and run by amateurs. It is a business that competes for scarce consumer resources, requiring a
‘business’ approach to its management, utilising professional management technique. This commercialisation process has led sport organisations to be described as ‘business-like’ as they become market orientated, pursue operational strategies that maximise profit or revenue, and become responsive to the needs of customers.”

The Australian Government (2003: 37) defined commercialisation as “The process of transforming ideas, knowledge and inventions into greater wealth for individuals, businesses and/or society at large. Commercialisation is a subset of the broader process of innovation. It is driven by market and profit motives, with firms and others seeking to gain a positive return on investment in research, licensing, product development, and marketing, including through the creation of competitive niche markets.” Sport is a lucrative entertainment business with all avenues generating billions of rands daily. From this one can deduce that sport commercialisation is the process of generating money through the business of sport. Sport commercialisation has primarily been driven by four interwoven factors namely sport spectating, changing technologies, increasing competition, and professionalism of sport management (Robinson, 2008: 310).

The extent of sport commercialisation is realised when looking at the Olympic Games. From the number of partners to the sponsorship deals to the broadcasting rights, the Olympic Games is a business. As seen in Figure 1.1, the total dollars generated from these sources in the last five Olympic Games, from 1993 to 2009 have increased substantially. Olympic marketing revenue grew from $2,630 to $8,046.

**Figure 1.1:** The total dollars generated from five sources in the last five Olympic Games.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcast</td>
<td>1,251</td>
<td>1,845</td>
<td>2,232</td>
<td>2,570</td>
<td>3,850</td>
</tr>
<tr>
<td>TOP Programme</td>
<td>279</td>
<td>579</td>
<td>663</td>
<td>866</td>
<td>950</td>
</tr>
<tr>
<td>OGOC Domestic Sponsorship</td>
<td>534</td>
<td>855</td>
<td>796</td>
<td>1,555</td>
<td>1,938</td>
</tr>
<tr>
<td>Ticketing</td>
<td>451</td>
<td>625</td>
<td>411</td>
<td>274</td>
<td>1,238</td>
</tr>
<tr>
<td>Licensing</td>
<td>115</td>
<td>66</td>
<td>87</td>
<td>185</td>
<td>170</td>
</tr>
<tr>
<td>Total</td>
<td>2,630</td>
<td>3,770</td>
<td>4,169</td>
<td>5,450</td>
<td>8,046</td>
</tr>
</tbody>
</table>

In the 21st century, there are numerous options available for the public to watch any sport, any time of the day. There are numerous organisations broadcasting the latest football games, a World Cup, an Olympic Games, the world swimming championships and many more, from the most viewed sporting matches to the least viewed, they are all available. It is an entertainment package to be viewed and enjoyed, whether attending the game or watching from the comfort of a couch to catching up on a mobile device while waiting for a flight, it is available for the consumer’s viewing pleasure.

One of the biggest sources of income is the sale of broadcasting rights. Broadcasting rights allow fans from all over the world to tune in and watch various sporting codes, no matter where they are taking place. “The advancements in broadcasting technologies have changed the way that individuals watch and interact with sport, spectators can watch, rewatch, record and pause at any moment” (Vasquez, 2013: ¶3). In 75 years, broadcasting technology has evolved from a three-camera 162 000 viewership Olympic Games in Berlin to a high definition, various camera angles and replay options with a 4.8 billion viewership in London in 2012 (Vasquez, 2013: ¶2).

These advancements and advantages of broadcasting allow host nations and regulators to charge exorbitant amounts for broadcasting. Figure 1.2 shows the history of broadcasting revenue and the exorbitant growth from the Olympic Games in Rome in 1960 to the most recent London Olympic Games in 2012.

**Figure 1.2:** The Olympic Games Broadcasting Revenue history from 1960 to 2012

<table>
<thead>
<tr>
<th>Olympic Games</th>
<th>Broadcast Revenue (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960 Rome</td>
<td>US$1.2</td>
</tr>
<tr>
<td>1964 Tokyo</td>
<td>US$1.6</td>
</tr>
<tr>
<td>1968 Mexico City</td>
<td>US$6.8</td>
</tr>
<tr>
<td>1972 Munich</td>
<td>US$17.8</td>
</tr>
<tr>
<td>1976 Montreal</td>
<td>US$34.9</td>
</tr>
<tr>
<td>1980 Moscow</td>
<td>US$66</td>
</tr>
<tr>
<td>1984 Los Angeles</td>
<td>US$285.9</td>
</tr>
<tr>
<td>1988 Seoul</td>
<td>US$407.5</td>
</tr>
<tr>
<td>1992 Barcelona</td>
<td>US$639.1</td>
</tr>
<tr>
<td>1996 Atlanta</td>
<td>US$998.3</td>
</tr>
<tr>
<td>2000 Sydney</td>
<td>US$1,331.8</td>
</tr>
<tr>
<td>2004 Athens</td>
<td>US$1,494</td>
</tr>
<tr>
<td>2008 Beijing</td>
<td>US$1,739</td>
</tr>
<tr>
<td>2012 London</td>
<td>US$2,569</td>
</tr>
</tbody>
</table>

**Source:** Olympic Marketing Fact File (2014)
These revenues are achieved by various countries paying for their broadcasting rights. Figure 1.3 displays the rise in broadcasting rights paid by countries which has grown from US$1,845.1 in 1996-2000 to a staggering US$3,850.0 from 2010-2012.

**Figure 1.3. Olympic Games Broadcasting Rights Fees History: from 1998 - 2012**

<table>
<thead>
<tr>
<th>North America (US and Canada)</th>
<th>Central America, South America and Caribbean</th>
<th>Asia</th>
<th>Middle East/ Africa</th>
<th>Europe*</th>
<th>Oceania</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-2000</td>
<td>1,124.0</td>
<td>14.2</td>
<td>208.0</td>
<td>11.9</td>
<td>422.1</td>
<td>64.9</td>
</tr>
<tr>
<td>2002-2004</td>
<td>1,387.4</td>
<td>20.8</td>
<td>232.6</td>
<td>12.9</td>
<td>514.0</td>
<td>54.3</td>
</tr>
<tr>
<td>2006-2008</td>
<td>1,573.0</td>
<td>34.0</td>
<td>274.0</td>
<td>24.9</td>
<td>578.4</td>
<td>79.7</td>
</tr>
<tr>
<td>2010-2012</td>
<td>2,154.0</td>
<td>106.0</td>
<td>575.0</td>
<td>41.0</td>
<td>848</td>
<td>126.0</td>
</tr>
</tbody>
</table>

All figures in USD millions

**Source:** Olympic Marketing Fact File (2014)

There are a variety of reasons why consumers attend and tune in to watch sport; one of the most prevalent reasons being for the entertainment value, to escape the stresses of everyday life. Today consumers/spectators are not merely watching sport for the game, but also for the ‘extras’ that come with the game. Chelladurai as cited in Robinson (2008: 311) noted that it is not enough to only show the game there needs to be an entire package – an opening show, education, half-time entertainment, commentary, match analysis, the supply of stadium food and beverages and merchandising. All of these elements are adding value to sport as entertainment and as a business. It can be seen that sport provides an avenue for entertainment, and one of the avenues running parallel with sport is sport betting.

Betting in itself is a form of entertainment and further heightens the interest in a sporting event by creating a competitive nature especially during ‘in-play’ or live betting (Church-Sanders. 2013: xi). Whether this is a gladiatorial winner, a cock-fight, or a soccer match, there is someone somewhere willing to place a bet. “Ever since sport has been played competitively there have been individuals willing to bet on the results, not only in hope of a profit, but also as a form of leisure and entertainment. Sports betting, it seems, has been a natural part of the culture of many countries globally for centuries if not longer” (Church-Sanders, 2013: 1). The sport betting market itself has
gone through a level of commercialisation taking it from wagers placed face-to-face with a ‘bookie’ on the outcome of a game, in cash, to a flourishing online market where wagers can be placed anywhere, any time, and from any place. Bets can now be placed online via a computer, a mobile app or a telephonic call.

Sport betting operates under a betting exchange. A betting exchange as defined by Nzimande, Louw, Mannya, Bodasing and Ludin (2010: 24) is as where punters (bettors) bet against each other in a controlled environment. The odds on a game are determined by the punters, the more individuals who place money on a game, the lower the odds are the less the payouts are. Punters bet against each other and not against a specific organisation, making the risk less.

Online sport betting has grasped much attention over the past few years and many organisations are capitalising on this market. Gambling, in all forms, has grown into one of the biggest industries in the business sector with its online component surely becoming the biggest sector in cyberspace (Seymour, 2011).

Online sport betting in South Africa (SA) has seen much growth within the gaming sector since 2008. The gaming sector is made up of casino gambling, sports betting, limited pay-out machines (LPM) and bingo. Casino gambling makes up the biggest portion of the gaming sector with sports betting placed second. Figure 1.4 confirms the gross gambling revenue generated (R millions) by the type of gaming in SA for 2012.

**Figure 1.4:** Gross gambling revenue by type (R millions)

![Figure 1.4: Gross gambling revenue by type (R millions)](image)

**Source:** National Gambling Board of South Africa (2012)
Sports betting in SA comprises bookmaking and wagering on horse racing and other sporting events (PwC, 2013: 16). Although horse racing makes up the bigger portion of the industry, sports betting has seen the biggest growth, rising by 71.3% in 2012 compared to the 4.5% seen in horse racing (PwC, 2013: 16). Figure 1.5 illustrates the percentage of growth in gross gambling revenue (R millions) between horse racing and sports betting in SA, where the percentage of growth/change for horse racing is 4.5% compared to the 71.3% growth/change in sports betting from 2008 to 2012.

**Figure 1.5: Sports gross gambling revenues by category (R millions) 2008-2012**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horseracing</td>
<td>1 510</td>
<td>1 411</td>
<td>1 651</td>
<td>1 675</td>
<td>1 750</td>
</tr>
<tr>
<td>% change</td>
<td>-6.6</td>
<td>17.0</td>
<td>1.5</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Sports betting</td>
<td>123</td>
<td>194</td>
<td>352</td>
<td>478</td>
<td>819</td>
</tr>
<tr>
<td>% change</td>
<td>57.7</td>
<td>81.4</td>
<td>35.8</td>
<td>71.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1 633</td>
<td>1 605</td>
<td>2 003</td>
<td>2 153</td>
<td>2 569</td>
</tr>
<tr>
<td>% change</td>
<td>-1.7</td>
<td>24.8</td>
<td>7.5</td>
<td>19.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Gambling Board of South Africa (2012)

Online sports betting is not to be confused with gambling. The difference between sport betting and gambling is the fact that some see gambling as merely placing money at one’s own risk without a thought process, while sport betting should be done only after one has gained the necessary information to place the best possible bet that should result in a win. Walker (1992) referred to gambling as risking money in order to win money on an outcome that is wholly or partly determined by chance. There is a difference between gambling at a casino, playing the slot machines and betting on the outcome of a Currie Cup Rugby or T20 cricket match. Using the slot machines at a casino, one is hoping to win more money based on luck or chance. With online sports betting one places bets on one’s team to win, or who will score the first goal based on statistics or player’s profiles and based on this, one should win or lose what they have bet. According to Ates (2004:22), many individuals do not regard sport betting as gambling as there is no direct intention to part the better with their money, even though it is a game of chance. One should have done enough research and know the statistics of the team to bet strategically to ensure a win. This necessary information is looking...
at past results, players’ performances and the week building up to the game, as all
these factors can have an impact on the result of the game (Emeralde, 2008: ¶2).

There are exorbitant amounts of information available via the Internet to online sports
bettors to be able to place good, well thought out bets. The internet provides various
sports information services including, sports betting guides, score lines, and fixture
lists which are all publicly available. This information together with, numerous sport
blogs, chats and forums have proliferated the Internet providing sport betting
predictions, tips, and comparison odds for individuals to use to make the necessary
well-informed betting decisions. (Church-Sanders, 2013: xii). Although there is ample
information available online on placing a bet and the different types of bets on offer,
there is limited information available on the state of online sport betting in South Africa
(SA) and the growth of the industry.

To be able to understand what sports betting is and to appreciate how far SA has
developed within this industry, it is important to understand what one is referring to,
the organisations and legalities that define the industry, and what the industry currently
looks like.

Currently, an individual who is interested in sport betting or online sport betting need
to sift through scattered information and visit numerous websites to try to understand
the current climate of the sport betting industry and how one places a bet. At first
glance one is faced with a number of sport betting organisations, all tempting them to
register on their site and place their first bet. This can be a daunting experience and
may leave a lasting impression on whether an individual does register, places their
first bet, or returns to place another bet. Organisations need to be understanding of
this and put measures in place to make it easier. This study will provide an overall
analysis of the current sport betting industry with a focus on the online sport betting
industry.

The problem statements, objectives, research methodologies and design, limitations
and chapter outline of this study will be discussed further.

1.2. PROBLEM STATEMENT

The information available on the online sport betting industry in SA is highly limited
and can have an impact on the number of users who register and take part in online
sport betting. Individuals decide what information they search for and make use of, as stated by Kofi Annan in Dutton (2004: 13), “While technology shapes the future, it is individuals who shape technology and decide to what uses it can and should be put”. With this information it is important to supply individuals with the information required for action to be taken.

The Internet along with technology such as mobile phones, mobile applications, broadband and television has transformed the way individuals live and work in the 21st century; the world has become an information society. “The Internet, World Wide Web, mobile cellphones, digital television, and numerous other new electronic information and communication technologies (ICTs) are opening fresh pathways for transforming the way we live, work, learn, and communicate” (Dutton, 2004: 13). Almost all actions are carried out online. Individuals are always connected through mobile devices and their emails, connected to the Internet at every possible moment, and subject to advertising and media influence in every direction. Each and every one of these factors influence what individuals do, their likes and dislikes, purchases, habits and everyday tasks. Individuals of all ages are spending more time online looking for better services, convenience and life enhancing tools via the internet (Jones, Malczyk, Beneke, Parker & Winterboer, n.d: 10).

The paucity of reliable and useful information available on the online sports betting industry in SA can be seen to hamper its growth more than what it can add any value. The more difficult it is for one to find information, the less action will be taken. This scarcity in information ranges from what sport betting is, the legislation and regulation of the industry, understanding sport betting terminology, the various methods to place a bet, and the overall growth of this industry.

For this analysis two main sources were cited due to their expertise and experience within the gambling and sport betting industry in SA and internationally. Professor Sphiwe Nzimande and Rachael Church-Sanders.

Nzimande along with a number of members made up the Gambling Review Commission Board in South Africa in 2010. This review process was tasked with assisting the Government to assess the current gambling activities taking place within SA and whether there activities need to be restricted or expanded (Medupe, 2010: ¶5). The scope of the review would focus on the social effects of gambling and mechanisms
in place to address them, commitment of the industry to social investment, evaluate the adequacy of the regulatory framework to accommodate and effectively deal with the impact of technology and new trends, and the effectiveness of current regulation, control and enforcement structures (Medupe, 2010: ¶6). The review analysed the history of sport betting and online sport betting in SA and how the industry came into existence. For this reason this analysis study makes referral to this review.

Rachael Church-Sanders began her career in freelance journalism and consultation in 1998 and started her career in sport and sponsorship on 2000. In 2001 Church-Sanders joined Sport Business as a manager for research, marketing, broadcasting and sponsorship within the sport industry and from this went on to become a Major Events Consultant for 9 years, planning and organising major sporting events worldwide. Since 2013 Church-Sanders has become the Deputy Director of Research for the World Academy of Sport and the Director of Editorial and Communications. Church-Sanders has worked with various sports properties, government entities, cities, sponsors, broadcasters, venues and gaming companies both as a journalist and a consultant. Church-Sanders is an expert in her field and has over 15 years of experience in the sport betting industry and for this reason her market assessment and outlook on the online sport betting industry is a useful tool and provides in-depth and extensive knowledge and coverage of the online sport betting industry as a whole.

The aforementioned is supported by the primary and secondary objectives stated in the next section.

1.3. RESEARCH OBJECTIVES

1.3.1. Primary objective

The primary objective of this study is to provide an in-depth analysis of the state of the online sport betting industry in South Africa.

1.3.2. Secondary Objectives

- Investigate the history and current state of online sport betting in SA
- Analyse the legalities and regulation of online sport betting in SA
- Identify the organisations currently involved and dominating the online sport betting industry in SA
- Explore the growth of the online sport betting industry in SA
- Consider the technological advancements within the industry
- Identify the ‘perceived to be’ customers of an online sport betting organisation from an organisation’s perspective.

1.4. **SCOPE OF THE RESEARCH**

For an online sport betting organisation to grow further and to ensure existence exceeding one year, it is important for organisations to ensure that their customers and potential customers are informed and equipped with the required knowledge. This research study will provide an analysis of the state of the online sport betting industry in SA, how the industry has developed, the current state and the future trends, and by doing so, providing knowledge and information for all individuals interested in the online sport betting industry in SA.

1.5. **RESEARCH DESIGN AND METHODOLOGY**

This study is designed to provide an analysis on the sport betting and online sport betting industry in SA. The research design will provide details as to how this will be achieved.

1.5.1. **Research design**

This study is based on an industry where very little information is available for one looking specifically at the online sport betting industry within SA whether in a library or online. One can try to gather information by sifting through each website or looking at international sites, but this may lead to more confusion because of the extensive terminology that can be overwhelming and the varying international rules and regulations. Due to this the study will be of an exploratory nature looking specifically at the online sport betting industry in SA, collating all relevant and important information pertaining to the current sport betting industry in one document. “Exploratory research tends to tackle new problems on which little or no previous research has been done” (Brown, 2006: 43). Exploratory research allows a platform to be developed for more extensive research to follow. According to Robson (2002:59), exploratory research allows one to look at what is currently happening, find new
understandings, ask relevant questions, and then assess the answers to these questions that shed new light on the topic.

Exploratory research does not necessarily answer a final question, but rather looks at the current information available and discusses all available possibilities, suggestions and impacts. From this, one can then decide what needs to be investigated next, or where one should go from that point. According to Saunders, Lewis and Thornhill (2009: 134), “…exploratory research is not intended to provide conclusive evidence, but helps us to have a better understanding of the problem.”

The exploratory nature of this research will be supported with qualitative research. This study involves employees currently working within the sport betting industry providing the knowledge and insight gathered from the online sport betting industry and for this reason, this study will form part of the interprevitism paradigm.

1.5.2. Research approach and/or paradigm

The study will look at data that has been gathered up until 2015 based on the online sport betting industry and will form part of a cross-sectional study. A cross-sectional study is carried out once to study a specific topic at a specific time.

1.5.3. Sampling design

The population of this study will include influential business executives within the sport betting industry. An intensity sampling strategy will be followed. In an intensity sampling strategy one seeks excellent and information-rich instances of a phenomenon (Patton, 1990: 234). “Intensity sampling involves some prior information and considerable judgment. The researcher must do some exploratory work to determine the nature of the variation in the situation under study. One can then sample intense examples of the phenomenon of interest” (Patton, 2002: 173).

The sample will range from the top executive in the industry including Phumelela, World Sport Betting and Betting World. More middle level executives including Marshalls World of Sport, Supabet and other organisations currently providing online sport betting and selected owners of blogs that provide sport betting information to the industry, are also respondents. The sample will include 10 interviews structured on gathering information on the state of online sport betting in SA. Due to the small but
growing nature of the industry, there are only approximately ten organisations that are making an impact and dominating the industry, namely Betting World, Betxchange, Interbet, Krugerbets, Sportingbet, Sportsbet, Sunbet (formally known as Voltbet), Tabonline, World of Sport and WSB (http://sportsbettingsites.org/south-africa/). There are fewer executives who have been in the industry for the past 10 to 15 years who can provide the necessary insight into how the industry has changed and grown over the past decade.

1.5.4 Data collection

Qualitative research will be collected via the limited literature that is available on the online sport betting industry not only in SA, but across the globe and will also be made up of open-ended question interviews with selected top executives within the industry. These interviews will be structured around a set number of questions that will be answered and evaluated to better understand the current state of the online sport betting industry in SA, where the organisation has come from, and what the future may look like.

The data collection process will be by means of an interview schedule. This interview schedule will be designed for specifically selected business executives within the online sport betting industry in SA. The interview schedule will be made up of questions to provide an overview of the sport betting industry in its totality – the past, current and the future. All executives will be asked the same open-ended questions to form part of the qualitative research. These questions will either be done face-to-face with each executive or should time not allow a face-to-face discussion, the questionnaire will be answered via email.

1.5.5. Data analysis

The interview schedule will be pretested to determine that it does measure what the study sets out to do. This will be done with one of the executives currently in the online sport betting industry and has worked in various organisations within the industry gaining the necessary experience and knowledge to answer such question.

The data collected will be analysed via a content analysis, evaluated based on answers received and validated with the available literature.
There are matters and occurrences that arise in a study that a researcher has no control over which there are called limitations (Simon & Goes, 2013: 1). The identified limitations are explained in detail in Chapter 4.

The dissertation will be structured into five chapters. Figure 1.6 shows a spray diagram of the structure of the research paper.

**Figure 1.6: Spray Diagram Structure of Research Paper**

Chapter 1: Introduction
The chapter provides an overview of the history of online sport betting in SA, the growth of this industry, and how the industry has developed to where it is at today.
This chapter also looks at the commercialisation of sport and how this has had an impact on the sporting industry leading into online sport betting.

Chapter 2: Literature review

Chapter 2 will provide an overview of the current situation of the online sport betting industry in SA and identifies the current role players and organisations within the industry that are having the biggest impact. The chapter will discuss the aspects that are having the biggest impact on the industry such as television, mobile broadband, and technology specifically looking at mobile technology and regulation.

Chapter 3: Research design and methodology

Chapter 3 is concerned with the research design and methodology that explains the framework used to answer the problem statement. Research design and methodology will look at the following sections: the research design, methodology, data collection and aims and objectives of the current research question and the value that this study will contribute to the strategic management field. The research problem investigated, using quantitative and qualitative data. As well as the data collection and sampling methods that were used.

Chapter 4: Research findings

This chapter provides the research findings and the interpretation thereof. It will explain how the data collected relates to the literature and the significance of these findings will be evaluated. The current sports betting industry will be discussed in details using the data collected. The chapter will also include a discussion on the future potential and prospects of the industry.

Chapter 5: Summary, conclusion and recommendations

Chapter 5 provides a summary of the literature review according to the secondary objects and the findings of the study. Based on the findings, recommendations will be made for further studies to be carried out.
1.8. CONCLUSION

This chapter provides an overview of the current sport betting industry with the focus on online sport betting is provided. It examined the various factors currently affecting the growth and hampering of the online sport betting industry in SA. It also provided a brief discussion of the research methodology used in the study. The following chapter will look at the current available literature relating the sport betting industry with a focus on the online sport betting industry in SA.
CHAPTER 2
LITERATURE REVIEW

2.1. INTRODUCTION

For most people, entertainment is a form of relaxation, a means of escape from the booming information-driven lifestyle driving the world. Entertainment can mean a hobby, playing a sport, playing a video game, shopping, watching television or going out with friends and family. Sport is entertainment that encompasses all of these aspects from playing the sport, watching the sport on television, playing a sporting video game, and enjoying all of these with friends and family. According to Wann, Schrader and Wilson (1999: 114), there are eight fan-motivational dimensions that lead fans/the public to watch sport. These eight dimensions are eustress, self-esteem, escape, entertainment, economic gains, aesthetics, group affiliation and family as seen in Figure 2.1.

**Figure 2.1:** Sport Fan Motivational Scale (SFMS)

![Sport Fan Motivational Scale (SFMS)]


Wann et al. (1991:1) identify two reasons individuals become sport fans that relate to sport betting is economic gains and entertainment. The pure enjoyment of sport and the escape motive will drive fans to watch sport, whether from the comfort of home or
live at stadiums, which will also provide a means of escape from everyday life (Wann et al., 1999: 115). The economic gain that can be achieved through watching sport or being a fan of sport is a motive on its own. Economic gains such as gambling and sport betting that result in an economic gain for an individual, can result in active sport fans for this reason. (Wann et al, 1999: 378). Every individual watches sport for a specific reason, some may not even watch any sport but it is all by means of choice. Some individuals work in sport as sport professionals in sport marketing, sport finance, sport sponsorship for business, and the value and commercialisation that can be achieved through it.

In terms of the business, sport is turned to as a way of escape from the four-wall boundaries of an office to an open space where possibilities seem endless, The saying ‘Business is made on the golf course, not in the boardroom’, rings true. In most businesses team-building exercises and work functions are planned to form partnerships, stronger bonds and to encourage out-of-the-box thinking. Entertainment enables this process. Through team sport, employees are encouraged to understand one another, work together (task cohesion) and make friends (social cohesion). Employees who share knowledge, time and space with one another usually become friends. Friends, who communicate well with one another and are in harmony, normally work well together. Employees who are also friends with one another will be more productive in the workplace, because they communicate, socialise and share common goals” (Joubert & De Beer, 2011: 61).

In South Africa the entertainment and media industry is estimated to be worth R190.4 billion by 2018, this is an increase of 10,2% from R117,1 billion in 2013 (PwC, 2014a: 15). Figure 2.2 shows the growth in the South African entertainment and media market by segment from 2009 – 2018.
The major segments within this industry are the Internet, radio, sport and video games, which all have an entertainment value (as can be seen in Figure 2.2).

The biggest growth will be made by the Internet with an anticipated increase of 22.7% from 2013 to 2018. Within this segment, mobile Internet access will contribute the most to this growth due to the increased number of South Africans having access to the mobile Internet, and it is forecasted to grow from 15 million in 2013 to 35.2 million in 2018. The second largest segment will be television growing from R30 million in 2013 to an estimated R39 million in 2018 (PwC, 2014a: 15).

According to Church-Sanders (2012: xi), there are many factors that play a part in the growth of sports betting, namely television, the roll-out of broadband, mobile...
technology and regulation. So far in this study these factors have been touched on and will be looked at more in depth in this chapter, showing how these factors have all had an impact in the growth of sport betting in South Africa. The growth of sport betting in SA can be seen in Figure 2.3, showing the trend in sport betting turnover from the financial year period 2001/2002 to 2015.

Figure 2.3: Trend in Turnover, betting FY01/02 to FY15.

Source: National Gambling Board of South Africa (2015a).

The growth of the sport betting industry in SA can be attributed to a number of factors; legislation making sports betting legal, technological improvements, mobile devices, broadband and the offering by bookmakers that will be analysed in depth throughout this study.

2.2. EARLY BEGINNINGS OF SPORT BETTING

The world of sport betting has existed for centuries with the earliest bets dating back to the Greeks and Romans. In these times individuals watched and bet on cockfights, bare-knuckle brawls, Olympic Games and gladiator fights where these individuals not
only enjoyed watching these sports, but betting on them for a profit. Throughout the 19\textsuperscript{th} and 20\textsuperscript{th} century, horse racing also known as the sport of the kings, was the most popular sport to bet on and was used mostly by the upper class. This changed after the Civil War, as there was an increase in horse racing tracks that attracted bettors from all sectors, upper class to lower class (Martin, 2012). The oldest and most widely known and used sport betting form is horse racing, especially within SA due to its lengthy existence as well as being the only legal form of gambling allowed in South Africa up until 1994 according to Nzimande et al. (2010: 27-30), as per the Gambling Act of 1965.

According to the Department of Trade and Industry, National Gambling Policy (2015:36) horse racing in SA is a self-regulated industry within the South African National Horse racing Authority (NHA). The NHA is responsible for the licensing of all horse trainers, owners and the monitoring of all race meeting. Phumelela and Gold Circle (Gold Circle operates only in the KZN and Western Cape Provinces) own all of the tracks and conduct all race meetings. Bookmakers within the horse racing industry are required to contribute a levy of 3\% of total revenue to the horse industry to the provincial regulators who in turn, pay this amount to horse racing operators (Department of Trade and Industry, 2015: 36). All tote best placed on horse racing in SA are combined into a single national pool, the TAB, and are operated by Phumelela.

In SA, Phumelela currently operates five racetracks in four provinces and operates totes in seven provinces, whereas Gold Circle operates all racetracks and totes in the two remaining provinces, KZN and the Western Cape (Nzimande et al., 2010: 65). The ownership of racetracks and totes is shown in Figure 2.4.
Figure 2.4: Ownership of racetracks and totes in SA

<table>
<thead>
<tr>
<th>Province</th>
<th>Racetrack</th>
<th>Location</th>
<th>Tote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>Phumelela</td>
<td>Arlington, Fairview, Vasil</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Free State</td>
<td>Phumelela</td>
<td></td>
<td>Phumelela</td>
</tr>
<tr>
<td>Gauteng</td>
<td>Phumelela</td>
<td>Turffontein</td>
<td>Phumelela</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>Gold Circle</td>
<td>Clairwood, Scottsville, Greville</td>
<td>Gold Circle</td>
</tr>
<tr>
<td>Limpopo</td>
<td>-</td>
<td>-</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>-</td>
<td>-</td>
<td>Phumelela</td>
</tr>
<tr>
<td>North West</td>
<td>-</td>
<td>-</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>Phumelela</td>
<td>Flamingo Park</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Western Cape</td>
<td>Gold Circle</td>
<td>Kenilworth, Durbanville</td>
<td>Gold Circle</td>
</tr>
</tbody>
</table>

Source: Gold Circle and Phumelela Annual Reports as found in Nzimande et al. (2010: 65)

In 2009, both Phumelela and Gold Circle purchased shares in the sports betting company Betting World to start taking advantage of the growing online sports betting industry (Nzimande et al., 2010: 66). There has been a number of questions raised due to the fact that only one totalisator license has been granted per province, and these have only been granted to the two organisations. Due to the changes within the environment both, Phumelela and Gold Circle have begun venturing into the sports betting industry which has resulted in questions of anti-competitiveness in the market. The horse racing industry has, since its existence, seen little change and has stayed constant in terms of ownership and betting. As stated in the Wiehahn Commission discussed in Nzimande et al. (2010: 66), “Horse racing is a well-established industry with a good record; horse racing and wagering do not offer any problems.” For this reason, horse racing has never been included in the legislative framework and has escaped the level of scrutiny that casino and sport betting have endured. Reference has been made to this being the reason for its lack of transformation and growth (Nzimande et al., 2010: 66). Horse racing is still deemed as an old-fashioned betting form and needs to take advantage of the technological advancements, modernise existing venues and race formats, and integrate itself with other forms of gambling to attract new and younger punters. The casinos and sport betting industry as such in SA, have undergone much change since 1994.
Up until 1994, many South African residents travelled to neighbouring countries to take part in gambling. There were 17 different casinos available that were established in Botswana, Zimbabwe, Swaziland and Lesotho where gambling was legal. When these neighbouring countries, called homelands, became part of SA, uproar was caused due to these casinos becoming illegal overnight (Nzimande et al., 2010: 27), The Minister of Justice at the time exempted the casinos and established the Lotteries and Gambling Board in August 1994. This board was given the mandate to draw up a national policy for gambling in SA. The Gambling Act of 1965 was no longer relevant and was replaced by the Gambling Act of 1996. The Act of 1996 stated that the Government should legalise lotteries and gambling within SA. This act was adopted and the following key principles for the regulation of gambling were released (Nzimande et al., 2010:29):

- The protection of society from the overstimulation of latent gambling through the limitation of gambling opportunities;
- The protection of players and integrity and fairness of the industry through the strict control and supervision of the industry;
- The uniformity and harmonisation of policy and legislation at all levels of government and across provinces through minimum norms and standards and co-operation and co-ordination;
- The generation of revenue and taxes for provincial government and for good causes;
- The economic empowerment of the historically disadvantaged;
- The promotion of economic growth, development and employment.

Following this report, the policy and regulatory framework was adopted and the National Gambling Board and National Lotteries Board were established. The National Lotteries Board was responsible for the regulation of state-owned, but independently operated national lottery and sports pools. It was the responsibility of the National Gambling Board to provide policy advice and to promote uniformity among provincial gambling regulators who had the responsibility of the licensing and regulation of gambling activities in their own respective provinces (Nzimande et al., 2010:9). This meant that the gambling and sports pools industry in SA was governed by the following eleven acts:
The first review of the gambling policy and legislation occurred in 2002. This review focused on three matters: “the ongoing disputes and contestation between provincial gambling regulatory authorities (PGRAs) and the National Gambling Board (NGB), the rising concerns about the potentially negative socio-economic impact of gambling, and thirdly, to deal with forms of gambling that had not been dealt with or anticipated in the National Gambling Act, 1996, in particular interactive gambling and horse racing” (Nzimande et al., 2010: 9). This review led to the new legislation, the National Gambling Act of 2004 that saw the main role of the NGB change from merely an advisory body to an oversight function as well, and introduced further regulatory measures to alleviate the potential social harm of gambling. It was also within this report that the revenue framework was identified and adopted.

Up until 1994, the law in SA meant that the tax revenue rebates that could have been claimed by the government were being lost to external countries which were flourishing from this industry. By legalising gambling, the government would flourish from this revenue and benefit from economic and employment development (Nzimande et al., 2010:28). Two concerns faced the Gambling Board. Firstly revenue maximisation and secondly, the social impact. One of the biggest concerns of a government is the welfare of its population and to ensure that all are well informed and regulated. For this reason it was important for a revenue framework to be implemented to contain the excessive demand for gambling and to satisfy the existing demand only while enforcing the existing control factors and restrictions on the advertising of gambling.
(Nzimande et al., 2010:9). Clottelter and Cook (2001:242) provided a revenue framework that consisted of three different models for a country to adopt when faced with financial effects such as lotteries and betting. This framework identified three models, a revenue model, a consumer model and a sumptuary model. The main objective of the revenue model is revenue maximisation that involves almost no advertising restrictions and an allowance for a number of different services or products. A consumer model seeks to maximize consumer welfare, and ensuring accurate and reliable advertising. The main objective is for the consumer to reap the maximum pay-out on a variety of products or services. In the sumptuary model, the main objective is to regulate an organisations behaviour and the consumer’s expenditure by accommodating the current demands, however still discouraging excessive consumption.

The SA National Gambling Board (NGB) utilised this framework to select the model to be applied for two areas of financial income for the country – the lottery and other gambling methods (casinos and sport betting). This model is presented in Figure 2.5.

**Figure 2.5:** The revenue framework developed by Clottelter and Cook

<table>
<thead>
<tr>
<th>Model</th>
<th>Objective</th>
<th>Promotion</th>
<th>Product variety</th>
<th>Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>Maximise government revenues</td>
<td>Few restrictions</td>
<td>Unlimited</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Lottery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consumer</strong></td>
<td>Maximise consumer welfare</td>
<td>Truth-in advertising restrictions</td>
<td>Unlimited</td>
<td>High</td>
</tr>
<tr>
<td><strong>Sumptuary</strong></td>
<td>Accommodate existing demand while discouraging excessive involvement</td>
<td>Informational messages and warnings</td>
<td>Limited</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Source:** Clottelter and Cook (2001: 242).

The SA NGB made two clear distinctions between the lottery and other gambling methods (casinos and sport betting). The lottery is concerned with maximising government revenue with little restriction on the promotions and advertising of the lottery. Therefore, encouraging participation in the lottery by consumers. Other gambling methods like casinos and sport betting were concerned with only maintaining
the current demand and not to promote growth within the environment. The concern for social impact such as addiction and enticement was high.

The other gambling methods like horse racing and the sport betting industry require an abundance of available information and warning messages about the dangers of gambling, and advertising is discouraged as it can lead to enticement. There is a limited number of products which seek the lowest pay-out rates to discourage participation. The main reason for this is to manage the concern of the negative social impact gambling and betting may have on individuals.

The adoption of this model meant that the SA Government created a revenue from horse racing and sport betting with the industry being highly regulated. Up until this stage in 1994, horse racing still dominated the betting industry in SA. This has changed over the years, from 2009-2015 as can be seen in Figure 2.6 and Figure 2.7.

**Figure 2.6:** Trend in turnover, bookmakers and totalisators, FY09 to FY15

![Figure 2.6: Trend in turnover, bookmakers and totalisators, FY09 to FY15](image)

**Source:** National Gambling Board of South Africa (2015b: 22)
This increase in sport betting implies that there are more sport betting organisations in operation and more individuals taking part in online sport betting. The following section will take an in-depth look into what sports betting is, the legislation and the current industry itself.

2.3. UNDERSTANDING SPORTS BETTING

Sport betting operates under a betting exchange. A betting exchange as defined by Nzimande et al. (2010: 24), is where punters (bettors) bet against each other in a controlled environment. The odds on a game are determined by the punters - the more individuals who place money on a game, the lower are the odds and the pay-outs are less as well. Punters bet against each other and not against a specific organisation, making the risk less. Betting exchanges need to keep a record of all betting transactions and are required to be audited to ensure that no fraudulent behaviour exists or takes place.

In early years, all sport betting took place face-to-face with a bookmaker which most of us have seen or known about such organisations knows as Totalisator Agency Board (Tab). In the early 2000s, there was a shift in the industry towards online
gaming, mostly due to the introduction of new technology and the Internet boom. Most of these organisations were not land-based, as the already existing and operating land-based organisations were reluctant to take the step. Firstly due to the grey area of the legality of online gambling and the case of jeopardising their already established names (Church-Sanders, 2012:11). This has changed over the years due to the various Gambling Boards distinguishing between online betting and online gambling. Currently, sport betting takes place either in land-based stores where punters can walk into a shop and place a bet on a sporting game, or online where punters can access a website or mobile site from anywhere in the world and place a bet on a sporting game. Both options can also be practised simultaneously.

Not only is the operation of a land-based and an online sportsbook different, but so are the customer profiles, online sportbooks reach millions of sport fans through its multimedia and online resources (Church-Sanders, 2012:11). In terms of marketing, organisations need to be aware of these different customer profiles and know how to reach them. An online sportsbook is made up of numerous parties and technologies such as designers, website coders, mobile application teams, payment gates provided by third parties and software organisations or teams, depending on whether the organisations run their own software or run software from an external provider. Online sportsbook providers consist of numerous third-party providers comprising a highly connected system that needs to work well together to ensure the best customer experience is provided in the increasingly crowded and competitive market (Church-Sanders, 2012:11). According to Church-Sanders (2012:11), the online sportsbook industry which is betting carried out on websites accessed by personal computers and mobile devices, is characterised by software organisations and operators who are exclusively sportsbook-oriented or have added sportsbooks to a portfolio of existing games.

An organisation will choose from three types of models when considering operating an online sportsbook – a standalone model, licensing model or network model. A standalone model according to Church-Sanders (2012:21), is where a sportsbook designs and operates its own proprietary software that is not used by any other sportsbook, therefore owning all its own data. A licensing model is where a sportsbook licences software from another independent developer who has licenced his/her software to several other online sportbooks. Although the same licensed software is
used, a skin of their own is implemented therefore enabling the use of their own brand and offering their own unique services and promotions. An example of this in SA is BetTech Gaming which provides online sport betting software to existing operators and bookmakers, and these operators implement and run this software themselves or BetTech which offers a fully managed software solution for start-ups and new market entrants. Lastly, there is the network model where two or more online sportbooks are affiliated with one another and share the same software. Therefore, two organisations will run the same software and roll-up into a holding company, sharing all odds and bets offered and off-course profits.

Just as there are different models on which an organisation can choose to run its sportsbook, so are there different types of betting that one can offer. The variety and number of bets that one offers comprise some of the ways to achieve competitive advantage, the other is the odds themselves.

2.3.1. Main types of betting

There are numerous factors that go into the type of bet offered and the odds, this could include the public perception of the game or the previous result of the team/player and their winning, losing and player statistics (Church-Sanders, 2012:23). As discussed by Moya (2012:1), a sports bet is settled based on the outcome of a sporting game with which no party has an involvement or exerts an influence. The probabilities in sport betting unlike traditional gambling, cannot be calculated exactly, the probabilities are subjective and based on similar occurrences and factors influencing the sport and players involved such as injuries, team selection, weather and home-ground advantage. When discussing sports betting, it is important to understand some betting terminology. This makes it easier to understand sport betting as a whole along with the types of bets offered.

Terminology used in sport betting:

- Balanced book: bookmakers try to balance the book by ensuring that money is wagered on both sides of the book (for each team) rather than only on the one side by encouraging punters to favour the ‘underdogs’. One of the ways is by offering higher pay-outs should the team receiving less bets, win. This allows
the bookmaker to make some money out of each match (Church-Sanders, 2012: 40).

- **Bank:** The total amount of money a punter has wagered on a game (Moya, 2012: 4).

- **Book:** A “book” is the record of all the betting transactions made with the punters/bettors for a particular event.

- **Bookmaker:** Also called a bookie or “the house” is the business or sporting organisations offering the odds market for the sporting event (Moya, 2012: 4).

- **Event:** This is the specific sporting game (Moya, 2012: 4). An example of an event is the Vodacom Blue Bulls vs Cell C Sharks, South Africa vs India T20 cricket or South Africa vs All Blacks rugby match.

- **Fixed odds bet:** This is a wager made on the outcome of an event where the pay-out is based on the odds at the time the bet is taken, and cannot change as in a spread bet (Bet.co.za. n.d). A sportsbook will offer a variety of market for a game at fixed odds, based on what the bookmaker believes the chance of each outcome will be. The win depends on the stake multiplied by the odds and the amount lost is the stake wagered and nothing more.

- **Market:** “A betting market is a type of betting proposition with two or more possible outcomes” (Moya, 2012: 4). The result of the game (home win, away win or draw), the number of goals or points scored (two or less, one or less, three or more, no goals), the time of the first goal, the player to score the first points (Bryan Habana, Serena Williams, Richie McCaw), how the first points will be scored (a try, a penalty kick, game point, etc.), odd or even total goals (odd goal(1,3,7) or even goals (2,4,6).

- **Odds:** In sports betting, the odds of an outcome refer to the pay-out to be received if a prediction turns out to be correct (Moya, 2012: 4). There are two different types of odds, decimal (European format) and fractions (UK and US format). Church-Sanders (2012: 40) explains decimal and fraction odds as: Decimal Odds is for example, Manchester United is 2.10 to beat Manchester City and a punter would simply multiply their stake by the odds (R10 x 2.10 = R21), Fractions Odds is for example Orlando Pirates are punted 4/1 to beat Kaizer Chiefs, which means that if the punter bets R1 they would win R4 plus their original stake of R1 if their bet wins. Their stake equals the number on the
right (1 in this case) and they can win the number on the left (4 in this case as it is 4/1 odds) plus they get the original bet stake. Therefore the punter would collect R5.

Odds change regularly according to what is happening in the market (injuries, weather, team announcements), and these changes are important because they suggest that the likely outcome of the game is better or worse than previously thought (Church-Sanders, 2012: 40).

- **Pick:** “The selection among all the possible outcomes on which the gambler is placing the bet” (Moya, 2012: 5).
- **Result:** The outcome of the actual sporting game once the referee has confirmed the end of the game (Moya, 2012: 6). If the pick and result are the same the punter wins the bet and is paid an amount equal to his/her stake at the odds offered on the selection. If the result is different from the outcome selected, the punter loses his/her stake.
- **Spread betting:** Comprises wagering on the outcome of an event, where the pay-out is based on the accuracy of the wager rather than a simple “win or lose” outcome such as fixed-odds betting (Church-Sanders, 2012: 29). A sportsbook will make predictions on various aspects of a sporting event, the punter then decides if the prediction is set too high or too low. The punter then wins or loses based on the stake chosen and how right or wrong he/she is.
- **Stake:** The amount of money being wagered/risked on a single bet (Moya, 2012: 4).
- **Winnings:** The amount of money paid back, including the original wager (Moya, 2012: 4).
- **Yield:** “Is the measure of the profitability of a series of bets” (Moya, 2012: 6). A yield is calculated as the sum of the profit made from all the bets placed, divided by the sum of the money staked in all bets, and is usually expressed as a percentage. For example, if after 10 bets of R1 each there is a net profit of R1.50, the yield is 1.5/10 = 0.15, which is 15%.

The types of betting offered by a sportbook vary according to the types of bets offered. The main types of bets according to Church-Sanders (2012: 23) are Parimutuel betting, fixed-odds betting, spread betting, and betting exchanges (peer-to—peer betting), Asian Handicap betting, head-to-head betting, live/in-play/in-running betting.
and sport betting funds. A snapshot of these main types of betting will be looked at, guided by Church-Sanders (2012:23).

2.3.1.1. Parimutuel betting

Parimutuel betting is a popular form of sport betting where punters place their bets into a pool and after the outcome of an event is known, the pay-out odds are calculated and the winnings are distributed among all the winning bets. This type of betting is used mainly in horse racing, greyhound racing and football pools and totes (Church-Sanders, 2012: 23).

The various types of bets available can be seen in Table 2.1.

**Table 2.1:** Online Horse racing Bets offered by TabOnline.co.za, November 2015

<table>
<thead>
<tr>
<th>Bet Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Win</strong></td>
<td>Bet a horse to win</td>
</tr>
<tr>
<td><strong>Place</strong></td>
<td>Bet a horse to finish in the placings. The number of horses qualifying for PLACE pay-outs depends on the number of runners:</td>
</tr>
<tr>
<td>Five runners of less:</td>
<td>No place betting</td>
</tr>
<tr>
<td>Six to seven runners:</td>
<td>First, Second</td>
</tr>
<tr>
<td>Eight to 15 Runners:</td>
<td>First, Second, Third</td>
</tr>
<tr>
<td>16 or more runners:</td>
<td>First, Second, Third, Fourth</td>
</tr>
<tr>
<td><strong>Eachway</strong></td>
<td>Combines a Win and Place bet. You collect the Win and Place pay-outs if the horse bet on finishes FIRST. You get the Place pay-out if the horse finishes SECOND or THIRD (the number of PLACE pay-outs varies according to the number of runners, see above). The same amount is always bet for the Win and the Place. Example: An Eachway bet taken 3 times is a R3 Win &amp; R3 Place = R6.</td>
</tr>
<tr>
<td><strong>All to come</strong></td>
<td>This is your chance to win big for a small amount. The bet enables Win or Place bets on horses in different races at the SAME race meeting to be combined into one accumulative bet. From time to time, TAB offers an All To Come bet into a major race from any one of a selection of race meetings in the days before. Click on ALL TO COME BET (above) for more details.</td>
</tr>
<tr>
<td><strong>Swinger</strong></td>
<td>Pick 2 horses in a race and couple them in a Swinger. You win if the 2 horses chosen fill 2 of the first 3 places. There are 3 winning combinations 1st &amp; 2nd (or 2nd &amp; 1st);</td>
</tr>
<tr>
<td>Type</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Swinger</td>
<td>Pick 2 horses in a race and couple them in a Swinger. You win if the 2 horses chosen fill 2 of the first 3 places. There are 3 winning combinations: 1st &amp; 2nd (or 2nd &amp; 1st); 1st &amp; 3rd (or 3rd &amp; 1st); 2nd &amp; 3rd (or 3rd &amp; 2nd). No pay-out 3rd &amp; 3rd if deadheat for 3rd. The minimum bet on the Swinger is R2.</td>
</tr>
<tr>
<td>Exacta</td>
<td>Pick 2 horses in a race and couple them in a Swinger. You win if the 2 horses chosen fill 2 of the first 3 places. There are 3 winning combinations: 1st &amp; 2nd (or 2nd &amp; 1st); 1st &amp; 3rd (or 3rd &amp; 1st); 2nd &amp; 3rd (or 3rd &amp; 2nd). No pay-out 3rd &amp; 3rd if deadheat for 3rd. The minimum bet on the Swinger is R2.</td>
</tr>
<tr>
<td>Double</td>
<td>Choose the winners of the 2 consecutive races that comprise the Double (the first of the 2 races in a Double is termed Leg 1; the second is Leg 2). A Double can be taken on all consecutive races – i.e. Races 1 &amp; 2; 2 &amp; 3; 3 &amp; 4, etc.</td>
</tr>
<tr>
<td>Trifecta</td>
<td>Bet on the horses to finish FIRST, SECOND and THIRD in the exact order.</td>
</tr>
<tr>
<td>Quartet</td>
<td>Bet on the horses to finish FIRST, SECOND, THIRD and FOURTH in the exact order.</td>
</tr>
</tbody>
</table>
| Trifecta & Quartet | **There are 4 different ways to bet the Trifecta & Quartet: Single, Multi, Float (Rove) & Box.**  
A popular Trifecta option is Multi, choosing one horse for FIRST with three or more other horses for SECOND and THIRD.  
**Cost of betting** 1 horse for FIRST with:  
* 3 other horses for SECOND & same 3 horses for THIRD: R6  
* 4 other horses for SECOND & same 4 horses for THIRD: R12  
* 5 other horses for SECOND & same 5 horses for THIRD: R20  

**Pick 3** | Choose the winners of any 3 consecutive races. One horse or more can be chosen in each of the three races.  
Fractional betting may not be used.                                                                                                                                                                                                                                                                                                                   |
| Bipot      | Choose a horse, or horses, to finish FIRST or SECOND in each of the 6 races that comprise the BiPot (Legs 1 to 6). You can win the bet many times.  
Example:  
You choose one horse in each of Legs 1 to 4 and two horses in each of Legs 5, 6 and 7. If all choices finish in the first 2, pay-out is won eight times (1x1x1x1x2x2x2 = 8).                                                                                                                                                                                             |
| Place Accumulator | Choose a horse, or horses, to finish FIRST, SECOND or THIRD in each of the 7 races that comprise the Place Accumulator (Legs 1 to 7). You can win the bet many times.  
Example:  
You choose one horse in each of Legs 1 to 4 and two horses in each of Legs 5, 6 and 7. If all choices finish in the first 3, pay-out is won eight times (1x1x1x1x2x2x2 = 8).                                                                                                                                 |
| Jackpot    | Choose the winners of all 4 races that comprise the Jackpot (Legs 1 to 4). One horse or more can be chosen in each of the 4 races.                                                                                                                                                                                                                                                                                     |
Pick 6

Choose the winners of all 6 races that comprise the Pick 6 (Legs 1 to 6) and you can win a fortune!
One horse or more can be chosen in each of the 6 races.

Calculate the cost – pick 6, jackpot, pick 3, place accumulator and bipot

Multiply the total number of choices made for each leg.
Example:
In a Pick 6 you choose four horses in Leg 1; three horses in Leg 2; one horse in Leg 3; two horses in Leg 4; two horses in Leg 5 and one horse in Leg 6. This is 48 combinations x R1 each (4x3x1x2x2x1) = R48.
Fractional betting can be used to reduce the cost of all Trifecta, Quartet, Jackpot, Pick 6, Place Accumulator and BiPot bets. In the Pick 6 example above, the Pick 6 can be played for R24 (half or 50% of the full amount). If you win, you collect half the pay-out.


Various bookmakers that offer betting on horse racing such as Betting World offer other bets seen in Table 2.2.

Table 2.2. Online horse racing bet types offered by Betting World, February 2016

<table>
<thead>
<tr>
<th>Bet Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed odds wins</td>
<td>Bet on a horse to win the race</td>
</tr>
<tr>
<td>Fixed odd places</td>
<td>Bet on a horse to run a place, i.e. finish 1st, 2nd, 3rd or 4th in a race.</td>
</tr>
<tr>
<td>Multiples</td>
<td>Allows customers to combine selections from two or more races in a bet which offers a greater return/payout, e.g. doubles, trebles, quads, etc.</td>
</tr>
<tr>
<td>Mixed multiples</td>
<td>Allows customers to combine selections from two or more events in a bet which offers a greater return/payout, e.g. mix win and places or horse racing and sporting events.</td>
</tr>
<tr>
<td>Full cover</td>
<td>A full cover bet is any bet which consists of all available multiple bets for a given number of selections</td>
</tr>
</tbody>
</table>


Horse racing bets offered by Betting World can be seen in Table 2.3.

Table 2.3. Tote Bets available via Betting World, February 2016

<table>
<thead>
<tr>
<th>Bet Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wins</td>
<td>Bet on a horse to win the race</td>
</tr>
<tr>
<td>Places</td>
<td>Bet on a horse to finish 1st, 2nd, 3rd and 4th in a race, depending on the number of paces the tote is paying.</td>
</tr>
<tr>
<td>Eachway</td>
<td>Combines a win place and a place bet on the same horse in a race</td>
</tr>
<tr>
<td>Swinger</td>
<td>Pick two horses to finish in any order in the top 3 positions in a race.</td>
</tr>
<tr>
<td>Bet Type</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Exacta</td>
<td>Bet on the horses to finish 1st &amp; 2nd in the exact (correct) order.</td>
</tr>
<tr>
<td>Double</td>
<td>Choose the winners of 2 consecutive races that are stipulated by the tab as double events.</td>
</tr>
<tr>
<td>Trifecta</td>
<td>Bet on the horses to finish 1st, 2nd &amp; 3rd in the exact (correct) order.</td>
</tr>
<tr>
<td>Quartet</td>
<td>Bet on the horses to finish 1st, 2nd, 3rd and 4th in the exact (correct) order.</td>
</tr>
<tr>
<td>Pick 6</td>
<td>Choose the winners of all six races that comprise the Pick 6 (legs 1-6). One horse or more can be chosen in each of the 6 races.</td>
</tr>
<tr>
<td>Jackpot</td>
<td>Choose the winners of all 4 races that comprise of the Jackpot (legs 1 to 4). One horse or more can be chosen in each of the 4 races.</td>
</tr>
<tr>
<td>Place accumulator</td>
<td>Choose a horse/s to run a place in each of the 7 races that comprise the Place Accumulator (legs 1 to 7). You can win the bet many times, e.g. you choose one horse in each of the legs 1 to 4 and two horses in each of legs 5, 6 and 7. If all choices finish in the first 3, payout is won eight times (1x1x1x1x2x2x2 =8).</td>
</tr>
<tr>
<td>Ante post betting</td>
<td>Ante post betting means placing a bet on a horse in a race prior to the final field for that race being announced, i.e. the declaration of runners. Ante post bets placed on a runner scratched or withdrawn from the race will be losing bets. Once the official field of runners is announced, the 'run and deduction' rule applies. This means if a horse is withdrawn from the race you will get a refund and bets on the remaining runners will be subject to possible deductions.</td>
</tr>
</tbody>
</table>


2.3.1.2. Fixed Odds Betting

Fixed odds sport betting according to Church-Sanders (2012: 25), is the most popular type of sport betting both online and land-based where the bookmaker offers odds on sporting events. As the odds are fixed, the punter/bettor knows exactly how much they can win. The most popular type of bet will always be win, lose or draw according to Kevan Moretti, executive producer of the UKs Racing Post as cited by Church-Sanders (2012: 25), where he explains that despite the availability of various markets to choose from, it will essentially remain a choice of win-lose or draw, because of its simplicity rather than making a selection on a horse racing bet.

The three most common fixed odds bets are win bet, each-way bet and place bet. A win bet is the simplest bet where a punter bets on the outcome of a win e.g. a rugby team to win the Super15. An each-way bet comprises two bets in one being a win bet and a place bet. If a punter places a R50 bet, R25 will be a win bet and R25 on a place bet, should the team/player win the punter will be paid R25, if the team/player is placed (in position 1, 2, 3 or 4) the punter will be paid out R25. Therefore should the
team/player win and place, the punter will win the full R50. The place bet is paid out on the odds offered. A lace bet is the same as a place-bet, but without the win. If a punter’s selection is placed then the bet wins. It is important to understand that each bookmaker and market will have its own rules and policies on how bets are paid out, it is important that punters read and understand how the pay-outs and betting markets work and pay out.

Understanding these three most common types of bets will allow a punter to begin placing other bets offered by the sportsbook, such as doubles, trebles and trixies. These types of bets can be found on most sportbooks’ websites. An example of this is shown in Figure 2.8 from Sportingbet.co.za.
A punter can also bet on a number of exotics for a sporting game or event. These exotics are bets such as who will make the opening goal in soccer, the first try in rugby, will the first points be scored in the first or second half or in the first 5 minutes. The
number of exotics and the type of exotics differ for each sporting game and every sporting event.

2.3.1.3. Spread betting

As defined earlier, spread betting take place where a punter uses accuracy rather than predicting a win, draw or lose for an event. In spread betting, the underdog receives an imaginary advantage (in the form of goals or points) that is calculated by the bookmaker and by doing so, aims to equal the winning chances of both teams. Spread betting solves the problem of balancing the books by levelling the playing field and showing no favourites, making it more difficult to win.

Spread betting is based on prediction by the bookmaker on the outcome of an event. The punter will then decide whether the outcome will be higher or lower than the bookmaker’s prediction. The greater the difference between the bookmaker’s prediction and the actual result, will determine the more or less the punter wins or loses (Church-Sanders, 2012: 29).

2.3.1.4. Betting Exchanges (Peer-to-Peer Betting)

Betting exchanges have become popular between punters, where one punter bets against another punter, therefore not betting against the bookmaker. “A betting exchange basically facilitates linking up between punters who want to make offers to each other” (Church-Sanders, 2012: 32). These betting exchanges are popular because they offer better odds than what are offered by bookmakers, punters can create their own odds, and expert punters can act as bookmakers themselves (Church-Sanders, 2012: 32). Bookmakers will charge a percentage of the winnings thereby still making some form of profit on the betting exchange. The percentage will be set by the bookmaker and can vary from bookmaker to bookmaker.

2.3.1.5. Asian Handicap Betting

Asian Handicap betting is a form of betting where the bookmaker gives the underdogs a helping hand by giving them a headstart, which can be in the form of 1, 2 or 3 goals or 10, 15, 20 points depending on the sport.

Asian Handicap betting is a way of betting in football where, before the start of a game the bookmaker adds a whole, half, quarter or three-thirds goals to the team considered
the underdog. Therefore the underdog receives an imaginary advantage. For example, if the Crusaders play the Cheetahs, the bookmaker will give the Cheetahs a +22.5 handicap meaning that the Crusaders would need to beat the Cheetahs at 23 points, as the Cheetahs were given a 22.5 point headstart (Pinnacle Sports, 2015: ¶7)

2.3.1.6. Head-to-Head Betting (H2H betting)

This type of betting is most popular in individual sports or sports were there are two opponents or two teams playing against each other, the punter can place a bet on who will win or lose and in some cases draw (based on the bookmaker). The bet is placed on the end result of a game or match (Favourit, 2013: ¶3)

2.3.1.7. Live/In-Play/In-Running Betting

Live/In-Play/In-Running betting allows punters to place bets live while watching a particular sporting events. A bookmaker will change the odds and offer exotics in-play, allowing punters to place bets at different stages of the game.

The number of markets available and the types of bets on offer are growing on a daily basis, as a trader has the ability to add a new market to any sport on any day. This implies that more money is being wagered. The legalisation of the online sport betting industry has meant a maximisation of revenue for the country as a whole, although this was not the intended purpose of this industry for the SA NGB.

2.3.2. Summarising the available sport betting markets and wealth generation

Sport betting has been a source of entertainment since the time of the ancient Egyptians. Over the last 100 years, the format of betting itself has changed from a man in a seat in the front row of the stands accepting cash bets, to dedicated shops, dedicated television channels and dedicated bookmakers. The vast amount of betting markets and betting types available are too many to list in one document, as the market keeps growing on a daily basis. The emergence and the development of the sport betting industry have been discussed in detail in this chapter so far, with a focus on the types of markets and bets available for one to develop a better understanding of what sport betting is, and the intricacies of the industry.

The maximisation of revenue is not necessarily realised through gambling as noted by Reith (2003: 12). Instead of gambling resulting in new wealth generation for the
country, it is rather a share of wealth. This is due to most gambling activities coming from internal residents rather than from external visitors from other countries, as this is illegal. The regulation of the sport betting industry has been of high important since its legalisation. This process and its impact on SA will be discussed next.

2.4. THE LEGALISATION AND REGULATORY OF ONLINE SPORT BETTING

In 2004, the National Gambling Board of South Africa released a statement that in terms of the National Gambling Act, No 7 of 2007, interactive gambling is illegal and any persons of the public advertising, promoting or taking part in such gambling activities would be committing an illegal offence (NGB.org.za., 2006). The High Court further state that only licenced operators may carry out gambling activities within the borders of the province and extends throughout SA.

The only forms of legal gambling in SA are:

1. Parimutuel wagering on horse races when conducted within a licensed racetrack enclosure.
2. Online betting or wagering is permitted, but gambling per se in terms of Exchange Control Regulations is illegal.
3. Bingo being conducted by licensed operators within the Republic.
4. Casino land-based gambling conducted by licensed operators within the Republic.
5. Limited pay-out machines conducted by licensed operators.

The Gambling Review Commission report (Nzimande et al., 2010: 11) further went on to confirm that the act of placing a bet(s) on horse races or sports via the Internet or telephone, is not considered unlawful betting. Online gambling and casinos that offer poker, blackjack and slots such as Piggs Peak are illegal. An amendment bill has been drafted and submitted to the Department of Trade and Industry for online casinos to be able to register and operate within SA. Morrissey and Dowling (2010: ¶3) further explain that online sport betting organisations are in the business of bookmaking and are legal in South Africa provided, that the organisation or person holds the necessary bookmaker’s licence. The sports betting industry is regulated by provincial departments. Each province has its own regulatory board that can govern itself. The legislation within each country around the world is highly controlled, as is the situation
in Australia and the European countries (Italy, Germany, United Kingdom, France), Uganda and SA. In all these countries the industry is tightly controlled by the law and a license is required to operate. In most other countries, especially the USA, online sports betting is still regarded as illegal and most bets are placed illegally. In SA there is a long process that needs to be followed, but licenses are being granted to online sports betting organisations (Seymour, 2011). In the European Countries a state license is needed by any organisation to be able to operate gambling, offer lotteries and sport betting. This state license ensures that organisations operate in the proper and correct gambling manner and do not in any way entice individuals to take part in sport betting. The Australian Government operates in the same manner with their two main objectives being the regulation of the sport betting industry to strengthen the honesty (integrity) within the betting environment, and to return a portion of the sport betting revenue to sporting bodies (Colantuoni, 2010: 284-285).

In SA, the National Gambling Act of 2004 was established to oversee all gambling acts within the country, which includes casinos, gambling, betting and wagering. This act ensures that all gambling organisations comply with prescribed norms and standards within the country. All organisations need to be registered with one of the 9 provinces (Gauteng, Western Cape, Eastern Cape, Kwazulu-Natal, North West, Free State, Limpopo, Mpumalanga, Northern Cape) gambling boards which are all under the direction of the National Gambling Board and need to adhere to strict policies. These policies range, amongst others, from advertising, communication, operation, FICA compliance and tax submissions (Church-Sanders, 2011: 330). A sports betting license within South Africa is an expensive business investment and should not be entered into lightly, therefore much research should be completed first.

According to the National Gambling Board (NGB) (2015a: 7), the South African Gross Gambling Revenue (GGR) is still dominated by Casinos. This is due to their lengthy existence and familiarity among all gamblers. Casinos do not need to win trust or overcome ‘sign-up’ difficulties; a participant has the option of choosing a machine and selecting spin. Even though Casino GGR is dominating the industry, it hasn’t seen as much growth as other sectors, with an increase of 0.6% in FY13 to FY14 to 4.5% in FY14 to FY15. Figure 2.9 depicts the steady growth of casinos.
The betting on horse racing and sport sector makes up a staggering 14.5% of the total amount of GGR compared to Casinos, Limited Payout Machines (LPMs) and Bingo sectors. The horse racing and sport betting sector has seen growth from 9.1% from FY13 to FY14 to 22.2% from FY14 to FY15, with this growth being dominated by the offering of betting on sport. This can be seen in figure 2.10 showing the growth in sport betting from FY13 to FY15.

Source: National Gambling Board of South Africa (2015b: 11)
As of 31 March 2015 according to NGB (2015: 23), there are 37 operational casinos, 213 bookmakers, 10 279 operationally active LPMs, and 26 bingo outlets as seen in Figure 2.11, showing an overall GGR of R23,9. This is an increase of 9.6% from R21,8 billion in FY14.

**Figure 2.11:** Snap Shot Of the Gambling Industry as at 31 March 2015

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational casinos</td>
<td>37</td>
</tr>
<tr>
<td>Operational casino positions</td>
<td>33 360</td>
</tr>
<tr>
<td>(slots and tables)</td>
<td></td>
</tr>
<tr>
<td>Operational totalisator outlets</td>
<td>402</td>
</tr>
<tr>
<td>Operational bookmakers</td>
<td>213</td>
</tr>
<tr>
<td>Operational bookmaker outlets</td>
<td>435</td>
</tr>
<tr>
<td>Operational active LPMs</td>
<td>10 279</td>
</tr>
<tr>
<td>Operational bingo outlets</td>
<td>26</td>
</tr>
<tr>
<td>Operational bingo seats</td>
<td>5 369</td>
</tr>
<tr>
<td>Gross gambling revenue</td>
<td>R 23 895 607 121</td>
</tr>
</tbody>
</table>

**Source:** National Gambling Board of South Africa (2015b)

Compared with all provinces, Gauteng has generated the biggest GGR according to the NGB (2015b: 10) as shown in Figure 2.12.

**Figure 2.12:** Turnover per province – FY2015, Qtr. 1,2,3,4

**Source:** National Gambling Board of South Africa (2015b)
Although Gauteng may generate the most GGR, it is the Western Cape that is the major role player in bookmaker outlets. This is because most bookmakers are registered with the Western Cape gambling board. As of 2012, the Gauteng Gambling Board put a restriction on the number of licenses issued. On 31 March 2015, the number of operational bookmaker outlets sat at 158 compared to 78 in Kwazulu-Natal and 91 in Gauteng, as shown in Figure 2.13.

**Figure 2.13:** Operational bookmaker’s outlets as at 31 March 2015

There are various growth factors leading to the growth of sport betting in SA. Church-Sanders (2012: 27) identifies three main growth aspects namely television, broadband and regulation. These factors will be looked at in detail.

### 2.5. THE GROWTH FACTORS OF ONLINE SPORT BETTING IN SA

With more than 400 betting shops and 300 sportsbooks to choose from, it can be seen how online sports betting is growing in SA (PwC, 2013: 7). Sports betting is fast becoming a very lucrative business within South Africa and is growing dramatically. In 2011, the gross gaming revenue amounted to R2.2 billion with horse racing making up 78% of that total with R1.7 billion whereas the industry grew by 1.5%. Sports betting
grew by 35.8% within the same year, making it the fastest growing gaming revenue in 2011 (PwC, 2012: 21). The growth can be seen in Figure 2.14.

**Figure 2.14:** Sports gross gaming revenues by category (R millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horseracing</td>
<td>1,510</td>
<td>1,411</td>
<td>1,651</td>
<td>1,675</td>
</tr>
<tr>
<td>% change</td>
<td>(6.6)</td>
<td>17.0</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Sports betting</td>
<td>123</td>
<td>194</td>
<td>352</td>
<td>478</td>
</tr>
<tr>
<td>% change</td>
<td>57.7</td>
<td>81.4</td>
<td>35.8</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,633</td>
<td>1,605</td>
<td>2,003</td>
<td>2,153</td>
</tr>
<tr>
<td>% change</td>
<td>(1.7)</td>
<td>24.8</td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

*Source: PwC (2012: 21)*

The growth from 2011 to 2013 can be seen in Figure 2.15, noticeably so in 2012 due to the Summer Olympics. Major sporting events lead to an increase in sport betting which can be seen throughout the statistics.

Individuals tend to want to place more bets when there are worldwide matches and tournaments such as the FIFA Soccer World Cup or the Rugby World Cup. It is during these times that bookmakers will see fluctuation within their books. Many punters will be the type of ‘come-and-go’, betting on major sporting events rather than the weekly football game. The 2010 Soccer World Cup resulted in an increase in betting of 81.4% and during the 2012 Olympics, an increase of 77.2% was recorded.

**Figure 2.15:** Total sports betting gross gaming revenue by category (R millions) 2009 to 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horse racing</td>
<td>1,411</td>
<td>1,651</td>
<td>1,675</td>
<td>1,750</td>
<td>1,830</td>
</tr>
<tr>
<td>% change</td>
<td>(6.6)</td>
<td>17.0</td>
<td>1.5</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Sports betting</td>
<td>194</td>
<td>352</td>
<td>478</td>
<td>847</td>
<td>1,004</td>
</tr>
<tr>
<td>% change</td>
<td>57.7</td>
<td>81.4</td>
<td>35.8</td>
<td>77.2</td>
<td>18.5</td>
</tr>
<tr>
<td>Total</td>
<td>1,605</td>
<td>2,003</td>
<td>2,153</td>
<td>2,597</td>
<td>2,834</td>
</tr>
<tr>
<td>% change</td>
<td>(1.7)</td>
<td>24.8</td>
<td>7.5</td>
<td>20.6</td>
<td>9.1</td>
</tr>
</tbody>
</table>

*Source: PwC (2014b: 26)*
The percentage of growth takes all nine provinces into consideration, the percentage of turnover generated per province is shown in Figure 2.16.

**Figure 2.16:** Turnover per province yearend 31 March 2015

Source: National Gambling Board of South Africa (2015b)

The increase in sport betting within the nine provinces is proven by the increase in the (GGR) from 2009 to 2015. This growth is much faster and higher compared to horse racing, showing the increasing trend.
An important element is the ecommerce side – sport betting survives on money, money needs to be filtering into the business to be able to pay out, and then affects the online component. Individuals need to be comfortable with the Internet, online financial transactions and interactions. The growth of ecommerce for online sport betting is dependent on the availability of broadband and mobile smartphones within the population. The more access the population has to these types of technology, the more these mediums will be used. The increase in the sports betting industry is mainly due to technological improvements and younger generations having access to other opportunities (Nzimande et al., 2010:65). The improvements and opportunities will be discussed further.

2.6. TECHNOLOGICAL ADVANCEMENTS IN SA AND ITS IMPACT ON THE ONLINE SPORT BETTING INDUSTRY

The information age, defined by the Internet and information technologies, has led all individuals to become accustomed to an anywhere, anytime, anyplace, mind set transforming the way people live and work (Torr, 2003:12). Technology has developed
this mind set as stated by John O’Conner, B2B director at the Racing Post in the United Kingdom (UK) as found in Church-Sanders (2012: 8) that “Technology has provided more opportunities for betting than anyone could have ever envisaged. Literally, it is a case of two clicks and you are there.” Individuals want information and entertainment available to them at the touch of a button and there are four main factors fulfilling this need – television, mobile devices, broadband and regulation (Church-Sanders, 2012: xi). Each factor will be discussed in detail and its impact on sports betting in SA.

2.6.1. The growth of Television in SA

Televisions are becoming smarter, bigger and depending on the needs, and affordability of individuals, external entertainment sources are added on such as Digital Satellite Television (DStv), where one can sift through numerous channels at one’s own discretion fulfilling their entertainment needs. The television industry has transformed from a nondigital (analog) state into a digital world where anything is possible. One no longer needs to watch tapes or wait to watch a programme, it is now all available online to download, one can stop, pause, rewind TV programmes all at the touch of a button. To the individual it is not important how he/she receives the information or programme, the focus is more on convenience, compelling content, service, experience and cost (PwC, 2015b: 19). The television industry in SA, referred to as PayTV, saw growth of 7.6% from 2013 to 2014 reaching R32.4 billion in 2014 (PwC, 2015b: 75). This growth is down from the 2010 surge of 9.6% due to the 2010 Soccer World Cup, but through the years 2011-2013 the growth has remained constant (PwC, 2013: 86).

The fact that TV licence fees in SA are the lowest in the world may be one of the reasons for this consistency (PwC, 2015b: 76). Every individual on purchasing a television device must purchase a TV licence and pay a monthly fee. Any additional items such as satellite services require additional fees.

The year 2016 will see many changes and growth within the Television industries with new offerings and new organisations offering their services in SA. Multi-Choice launched in 1995 and is currently one of the biggest operators in the SA payTV market. MultiChoice continues to acquire new content and innovation to hold onto its market share (PwC, 2013: 88). Organisations fighting to get into the SA industry with many
receiving their rights in 2016 are Naspers ShowMax, Netflix, Mindset Media Enterprises, CloseTV, Kagiso Media and SiyayaTV (PwC, 2013: 88).

For the SA sport fan there are endless possibilities to not only watch sport on the designated 13 channels on DStv, but to be able to bet live/in-play/in-running betting, one of the biggest markets on offer and growing by the day. Through the broadcasting of a vast number of different sporting events, television has added a new dimension to the attractiveness of sport betting, with some sport bettors never missing a game and belief that should one miss a game they will lose their wager. (Church-Sanders, 2012: xi). Television, broadcasting, Internet and mobile devices all have a positive impact on sport betting and in fact, make sport betting possible.

According to Mybergh (n.d. ¶13) the affordability of internet access will continue to alter the internet age, through new and innovative technologies. The means through which entertainment is presented, consumed and monetised will continue to be effected by the spread of services to mobile network, new devices and emerging markets. The more affordable it is for individuals to use technology and access new markets, so will various sectors exploit the revenue growth.

2.6.2. The growth of broadband and mobile devices in SA

The mobile device has done wonders for the online sport betting industry as discussed by Church-Sanders (2012: 51). The mobile platform opens up the door for a vast number of opportunities from alternative channels for placing a bet, to real-time interaction through in-play betting, thereby removing the need for punters to find a desktop computer or a land-based establishment to place a bet. The mobile device user has changed over the years and is now in 2015 poorer, younger, less educated and unlikely to have access or be able to afford fixed broadband (PwC, 2013: 33). The SA market has seen enormous growth in this field which will be discussed next.

The growth of the mobile market in SA is driven by the affordability of the services provided. One of the differentiating factors is that in SA mobile broadband offers the ability for more flexible contracts and prepaid plans, allowing easier access by all LSM (Living Standards Measure) groups (PwC, 2013: 59). In SA, LSM is used to segment the population across race, gender, age or any other variable to categorise individual (South African Audience Research Foundation, 2015: ¶2). In 2012, PwC (2013: 59)
identified that 10.8 million South Africans were mobile Internet subscribers, which accounted for 90% of the country’s total broadband connections. Based on a Compound Annual Growth Rate (CAGR) of 25.4% in 2017, this number should grow to 32.3 million, as shown in Figure 2.18 (PwC, 2013: 59).

**Figure 2.18:** Mobile phone subscribers and mobile Internet subscribers (millions) and the average monthly fee (R), 2012-2017

![Graph showing mobile phone and mobile Internet subscribers and average monthly fee from 2012 to 2017](image)

**Source:** PwC (2013: 59)

The growth in mobile phone subscribers is far outreaching the growth of fixed broadband due to the wider coverage, affordable tariffs and the declining price of devices (PwC, 2013: 59). The number of service providers in SA allows for a competitive market with each provider fighting for the consumer, meaning that their prices need to be competitive, their offers inviting, and their data plans affordable. In 2014 in SA, MTN and Vodacom each held 40% of the mobile device market as shown in Figure 2.19.
Figure 2.19: Mobile broadband subscriptions market share by operator, end-2014 (%)

Source: PwC (2015: 48)

The mobile service provider Vodacom is making big strides in the market with its newly 100% purchase of fibre access operator Neotel facilitating its growth within the mobile market with the availability of faster, cheaper Internet service (PwC, 2015: 46). One of the advantage points for mobile use is its reach. Fixed broadband often does not reach the rural areas, making its growth immobile due to its costly nature, as lines need to be put up and technicians sent out to carry out installation, as seen in Figure 2.20.

Figure 2.20: Average monthly fee for fixed broadband and mobile Internet access services, 2014–2019 (R)

Source: PwC (2015)

The cost affective nature of mobile devices has led almost every person to own not only a mobile phone, but a smartphone. A smartphone is categorised by its one stop
solution function making it possible to manage information, make calls, send email and access the Internet, all from one device and from anywhere in the world. No longer does one need to wait to ask a question and receive an answer, one is always connected. According to PwC (2015: 49), the smartphone is the device through which most South Africans make use of to access the internet, as more individuals access the internet and get online so are more opportunities created for advertising, local app development, content distribution and e-commerce. The availability of free Wi-Fi is another growing trend adding to the ease of staying connecting and working or enjoying entertainment anywhere (PwC, 2015: 51).

Many of these mobile users do not only use their mobile devices for information and Internet usage, but for entertainment including mobile gaming, social media such as Facebook and betting. The growth of mobile betting has been slow, regardless of the major rise in smartphone users. This is due to the fact that although many of the lower LSM markets have smartphones, they still look for the instant gratification of placing a bet and receiving some sort of bet receipt which they can hold onto. Although the mobile landscape has opened up many opportunities for bookmakers, bookmakers still need to work on delivering the same mobile experience as walking into a land-based shop, especially for the lower LSM markets. The higher LSM markets are happy to receive an SMS confirmation of their bet. Marketing within the sport betting industry is essential, allowing for greater reach, use of services and communication on new offerings. (Church-Sanders, 2012: 51).

According to Sanou (2015:1), the director of the ITU Telecommunication Development Bureau there are over 7 billion mobile cellular subscriptions worldwide to date in 2015, up from the 1 billion mark in 2010. Along with the 3.2 billion individual globally making use of the Internet, 2 billion are from developing countries. The growth of this industry is extraordinary, especially in developing countries. This notion is further validated by the ITU annually conference to present the ICT global findings on who is using the Internet, where they are from, and the development of this industry to provide Internet access to every individual. “Our mission is to connect everyone and to create a truly inclusive information society…” (Sanou, 2015: 1). The ITU, a division of the United Nations (UN) which was created to encourage international assistance and development in all forms of telecommunication across the world. ITU is made up of the Plenipotentiary Conference delegates who meet every four years and is the
supreme sector of the ITU, the World Administration Conferences delegates who meet with regard to technical requirements, the ITU council who meet annually and are responsible for executing decisions of the Plenipotentiary Conference, the General Secretariat, the Radiocommunications Sector, the Telecommunications Standardization Sector and the Telecommunications Development Sector (ITU, 2016). For this study, the ITU findings and Plenipotentiary 2015 Conference will be discussed.

During the 2014 UTI Plenipotentiary Conference an agenda termed Connect 2020 was developed that set aside four goals to be attained between 2016 – 2019 periods. This agenda stated the shared vision of “an information society, empowered by the interconnected world, where telecommunications/ICTs enable and accelerate social, economic and environmentally sustainable growth and development for everyone” (ITU, 2015:5). The four goals as stated in the Information Society Report (ITU, 2015: 5) were growth, inclusiveness, sustainability and innovation and partnership which can be seen in Figure 2.21, The Connect 2020 Goals.

**Figure 2.21**: The Connect 2020 Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Growth</td>
<td>Enable and foster access to and increased use of ICTs</td>
</tr>
<tr>
<td>2 Inclusiveness</td>
<td>Bridge the digital divide and provide broadband for all</td>
</tr>
<tr>
<td>3 Sustainability</td>
<td>Lead, improve and adapt to the changing ICT environment</td>
</tr>
<tr>
<td>4 Innovation &amp; Partnership</td>
<td>Manage challenges resulting from ICT environment</td>
</tr>
</tbody>
</table>

**Source:** ITU (2015: 5)

There are 17 targets allocated between the four goals to indicate if the goal is being achieved leading up to 2020 and in doing so, ensuring all stakeholders and employees are working towards set goals and targets. The 17 targets can be seen in Figure 2.22.
Each goal concentrates on the increased use of telecommunications worldwide and creating an interconnected world. Goal 2 revolves around inclusiveness and bridging the gap between developed and developing countries. According to the Information Society Report (2015: 6), the targets that have a direct impact on SA and the growth of the online sport betting industry via the Internet, desktop computers and mobile are:

a. In the developing world, 50% of households should have access to the Internet by 2020.
b. In the developing world, 50% of individuals should be using the Internet by 2020.
c. The affordability gap between developed and developing countries should be reduced by Broadband services and should cost no more than 5% of the average monthly income in developing countries by 2020.
d. Worldwide, 90% of the rural population should be covered by broadband services by 2020.
The growth of mobile devices uses and the affordability of broadband are a worldwide strategy. The government and consumers are both seeing broadband as a vital service that is enhancing not only the state of living but also society and the economy as a whole. (PwC, 2014a: 63). The mobile Internet growth since 2008 and the projected growth to 2017, can be seen in Figure 2.23.

**Figure 2.23:** Penetration of fixed broadband (% of households) and mobile Internet (% of population), 2008-2017

![Penetration of fixed broadband and mobile Internet](image)

**Source:** PwC (2014a: 232)

More and more consumers are accessing the internet via their mobile devices than through fixed broadband as seen in figure 2.23. Consumers want to be connected outside of their own homes and offices.

Going forward, the SA Government will need to look at the better delivery of access to the Internet for all individuals from the urban to the rural areas. With a specific focus on the cost. According to MarketLine (2014: 56) the number of mobile communication network users in South Africa is one of the largest in the world even though the Internet services are limited and more expensive when compared to other countries of a similar economic structure. The growth of mobile and broadband will have a direct impact on the growth of online sport betting.

**2.7. CONCLUSION**

The regulation of the sport betting and online sport betting industry have been discussed in detail at the beginning of Chapter 2. The strict governance of this industry ensures that all content that is shown on television has been approved to avoid
enticement, and all mobile offerings are up to standard and operate correctly and do not deviate from the already approved desktop site.

Technology is the main driving force of all four factors impacting the growth of the online sport betting industry. Consumers are not concerned with the channel offering the service (digital or analog), but focus more on the affordability, content and innovation. The ability of television, mobile devices, broadband and regulation drives the sport betting and online sport betting industry not only in SA, but worldwide. The structure of these industries and the reliability of their offering have a cascading impact on sport betting. Television offering needs to be reliable, low cost, content driven and innovative. All mobile offerings need to be as functional, user friendly and appealing as their website counterpart.

There are a number of factors that play a role in the sport betting industry and its growth. These factors have been looked at in detail in this chapter from the beginning of sport betting, its growth in SA, its regulation, and its growth over the past 15 years. There are a number of major role players dominating this industry who all have a different view of the industry, its regulation, its bettors, technology, mobile and online sport betting.
CHAPTER 3
RESEARCH DESIGN AND METHODOLOGY

The Research Design and Methodology for this research will be broken down into eight distinct sections as illustrated in Figure 3.1.

Figure 3.1. Spray Diagram of Research Design and methodologies

3.1. INTRODUCTION

Students, professors, teachers, authors, scientists all carry out research in search of new and valuable information. In doing so, this new information grows the body of knowledge which is passed from generation to generation. All individuals learn research and reach findings as they continue. Gogoi and Goowalla (2015: 1) make use of the nursery rhyme ‘Twinkle, Twinkle little star’ to describe the reason and definition for research, “Twinkle Twinkle Little Star How I Wonder What You Are,”
Whereby the use of the words how, why and what summarise what research is. Research is the investigation to find solutions to scientific and social problems through objective and systematic analyses, the search for knowledge, and a discovery of hidden truths. Information can be gathered through various means and channels such as human interaction, books, journals, experiences and nature and research carried out on this information by the use of study, observation, experimentation, analysis, comparison and reasoning (Gogoi & Goowalla, 2015:1). Research is ever-building with one finding leading to another, one study leading to another, or one analysis leading to another.

Many authors refer to Gerald Milburn’s description of scientific research as the basis for carrying out their own research, “Scientific research is a chaotic business, stumbling along amidst red herrings, errors and truly, creative insights. Great scientific breakthroughs are rarely the work of a single researcher’s plodding slowly by, inexorably towards some final goal. The crucial idea behind the breakthrough may surface a number of times, in different places, only to sink again beneath the babble of an endless scientific discourse” (Gogoi & Goowalla, 2015: 6065). From research comes knowledge.

The limited literature available in SA on sport betting led to an investigation of international literature, the most extensive research and analysis has been carried out by Rachael Church-Sanders who has done numerous market assessments of the online sport betting industry worldwide. While the literature included on SA is limited, literature from a worldwide perspective from television, broadband, mobile, sportbetting, the international sport betting industry and the regulation governing international states and countries, makes Church-Sanders the most relevant reference for this study.
3.2. RESEARCH OBJECTIVES

The research problem was identified and explained in Chapter 1. The next step is to identify the research flow to achieve two sets of objectives, primary and secondary.

The primary and secondary objectives as found in Chapter 1 are restated here:

The Primary objective of the research is to:

- **Provide an in-depth analysis of the state of the online sport betting industry in South Africa.**

The secondary objectives that will aid in the achievement of the primary objectives are to:

- Investigate the history and current state of online sport betting in SA
- Analyse the legalities and regulation of online sport betting in SA
- Identify the organisations currently involved and dominating the online sport betting industry in SA
- Explore the growth of the online sport betting industry in SA
- Consider the technological advancements within the industry
- Identify the ‘perceived to be’ customers of an online sport betting organisation from an organisation’s perspective

The research design, sampling, data collection, data analysis, ethical considerations and limitations will be discussed further in this chapter.

3.3. RESEARCH DESIGN

The research design details the aspects that are required in order to answer the research question. It describes data that is required, the methods to be used to collect and analyse the data, and how this will answer the research question (Van Wyk, n.d.: 4). The data collected and analysed will be of an exploratory nature. Exploratory research as discussed in Chapter 1, section 1.5.1., explores matters of concern where high levels of uncertainty exist due to the limited research available (Van Wyk, n.d.: 8). The available research is gathered and studied in the literature review of the study.

The literature review carried out in Chapter 2 is secondary data. Secondary data collection is the process of searching and making use of previous data collected by
researches (dissertations, journals), published statistics and financial reports or administrative records, that have been archived and stored in a public place (Hox & Boeije, 2005: 593). Primary data collection is the collection of data specifically for the identified research problem by using a relevant data collection tool such as experiments, open interviews, surveys (mail, web, interview) and focus groups (Hox & Boeije, 2005: 596). The amount of secondary data searched and analysed was of a limited nature.

This study is of an exploratory nature which tackles new problems on which there is little or no previous research as discussed in Chapter 1 by Brown (2006: 43). According to Robson (2002:59), exploratory research allows one to look at what is currently happening, find new understandings, ask relevant questions, and then access the answers to these questions that shed new light on the topic.

Exploratory research aims to identify the boundaries of an environment in which problems, opportunities or specific situations of interest are likely to exist and so identifying the relevant and/or significant factors or variables. (Van Wyk, n.d.: 8). The exploratory nature of this research will be supported with qualitative research and identified by the research sample.

The data capturing of this study involved identifying the top role players within the industry and through discussions and questionnaires - providing their knowledge and insight gathered from the sport betting industry. The human element of this study falls part of the interprevitism paradigm. The Interprevitism paradigm is a means of understanding or trying to make sense of textual data that may be unclear and aims to explain subjective reasoning and meaning that lie behind social action (Thomas, 2010: 32). Reeves and Hedberg (2003: 32) state that the interprevitim paradigm is a way of understanding the world through subjective experiences of individuals, meaning is used instead of measurement methodologies (such as interviewing and participant observation) that relies on a relationship between the researcher and the subjects.

The study will focus on all data and literature that has been gathered and published up until the end of 2015 based on the online sport betting industry, questionnaires and interviews carried out with influential individuals in the sport betting industry, telecommunications, and financial statements and will form part of a cross-sectional
study. A cross-sectional study is carried out once for a specific topic at a specific time. The selection of the influential individuals will be discussed in sampling.

3.4. RESEARCH SAMPLE

Sampling is the process of selecting a portion of a population that follows a specific set of specifications to be studied (Polit & Beck, 2003: 731).

According to Trochim (2006:¶1), sampling is the process of selecting representative units from a population of interest and the studying thereof allows a fair generalisation of the results to be applied to the selected population. In this study, the population comprises of identified role players within the sport betting industry in SA.

There are two types of sampling methods, probability and non-probability. Probability sampling/random sampling relies on random/chance selection of a large sample of the population (Sage, 2008: 156). Each subject of the population stands an equal chance of being selected, thus eliminating any form of subjectivity (Fink, 2002:10). Probability sampling includes techniques such as simple random sampling, systematic sampling and stratified random sampling. (Saunders et al., 2009: 214). In non-probability sampling/non-random sampling, participants are selected based on a researcher’s judgement regarding the characteristics of the target population, some subjects stand a chance of being selected and others not (Fink, 2002:10).

Non-probability sampling is a deliberate effort to gain samples from a specifically selected population group and the researcher uses knowledge of the specific topic to select experts within the population (Research Methodology, n.d.: ¶1). The sample of the population selected should be dependent on the research question and objectives. Patton (1990: 169) emphasises the fact that one should select information-rich samples within the population with the need to be statistically representative in probability sampling. Qualitative research focuses on a small sample of the population selected purposefully where quantitative research focuses on larger samples selected randomly (Patton, 1990: 169). Nonprobability sampling is useful when, “random sampling is not possible, when a research question calls for an intensive investigation of a small population…” (Sage, 2008:170). Non-probability sampling includes techniques such as purposive/judgemental sampling, convenience, snowball and quote (Bobbie, 2008: 6). For this study, purposive/judgemental sampling was adopted.
Purposive sampling allows a researcher to select specific information-rich individuals within a study group that will allow for better understanding. Information-rich cases allow for one to learn a great deal about specific issues of importance surrounding the analysis by providing insights and in-depth understanding rather than empirical generalisation (Patton, 2002: 230).

Patton (2002) identifies several strategies for purposefully selecting information-rich sources, for this study intensity sampling strategy is evident. “An intensity sample consists of information-rich cases that manifest the interest intensely” (Patton, 2002: 234). The researcher identify information-rich subjects based on their experience, interest and knowledge on the subject. The data being collected from information-rich samples is not statistical or purely quantitative in nature and is based on open-ended questions which can lead to other questions, opening new concepts and perceptions and may lead to similarities (Kleining & Witt, 2000: ¶8).

The first step in sample selection consisted of locating for and contacting information-rich and knowledgeable individuals within the sport betting industry in SA. Various emails and phone calls were made to individuals based on searches carried out on the Internet and own knowledge of the sport betting industry. All individuals that responded and were interested in taking part in the research were contacted and meetings or if a meeting was impossible, an email questionnaire sent out. The sample selected is shown in Table 4.2.

Once the sample had been selected, the next step was to set up interviews or send out the questionnaire which was at the representative's discretion. The next step in the research design is data collection.

3.5. DATA COLLECTION

Data comprises pieces of information that have been collected, observed or created from a selected population to be analysed. Data is transformed and structured into a context providing information (Boston University Libraries, n.d. ¶2).

The data collection process was based on an interview schedule with open-ended questions.
The identified population was sent an introductory email explaining the objective of the study and the open-ended questions to be answered, found in Appendix C. The respondents, based on their availability, communicated their wish to either answer the questionnaire via email or to meet for an interview.

The researcher did not make use of a fieldworker but conducted all interviews personally. The researchers previous working experience in the sport betting industry and the knowledge gained during this time, allowed for a more in-depth discussion during the interview process and thereby extracting the most useful and relevant information.

3.5.1. Interview Schedule

The use of interviews is useful for extracting the story behind an individual's experience. It allows in-depth analysis of the topic at hand and the extraction of knowledge and thoughts. The study made use of standardised open-ended interviews. In standardised open-ended interviews, all participants answer the exact same questions but the answer is left open, allowing the participant to answer as they wish. According to Gall and Borg as cited in Turner (2010: 756), open-ended questions means that all participants answer identical questions but are worded in such a way to allow participants the flexibility to answer as they wish. This type of interview enables the researcher to follow up answers with probing questions as a means of follow up (Turner, 2010: 756). The interview schedule can be seen in Appendix A.

The questionnaire was designed to answer the secondary objectives stated earlier in this chapter and therefore moving towards achieving the primary objective of analysis. The questions were formulated based on the format of the literature review and focused on gathering knowledge of the sport betting industry.

. The open-ended questionnaire allowed for more knowledge to be shared and individual experiences and thoughts to be shared. “Open-ended questions enable respondents to answer in as much detail as they like in their own words. Open- questions are often used for complex questions that cannot be answered in a few simple categories but rather more detail and discussion” (McLeod, 2014: ¶17). Open-ended questions allow one to gather more in-depth answers.
The first two questions dealt specifically with the individual being interviewed, who they are, how they got involved in the industry, and their current role within their organisation. Questions 3 to 14 focused on factors such as the growth of online sport betting in SA over the past 15 years, the impact of technology, room for growth, mobile, regulation, SA in comparison to the world, sponsorship, current market LSM group and the future of Sport betting in SA.

All questionnaires and interviews were captured on a template for data analysis.

All interviews were recorded with a recording device, with acknowledgement and agreement by the participants, and notes were taken simultaneously. The interviews were transcribed by an experienced PA in the Gaming and Casino industry. The interview process varied between 60 to 90 minutes depending on the ease of probing questions.

3.6. DATA ANALYSIS

When analysing “raw data”, according Thomas as cited in Clark (2005:105), the secret is to make the data more intelligible with as little loss of information as possible. By analysing data one obtains usable and useful information. Once the data has been collected, one needs to make sense of it (Welman & Kruger, 1992 cited in Clark, 2005: 105). The analytical technique used to ‘make sense’ of the data is determined by the characteristics of the research design, the nature of the data collected, and the information requirements (Zikmund, 2003: 73).

Patton identified various analytical framework approaches to analyse qualitative data when one makes use of standardised open-ended questionnaires. “Responses to interviews can be organised question by question, especially where a standardised interviewing format was used. If a standardised open-ended interview has been used, it is fairly easy to do cross-case or cross-interview analysis for each question in the interview” (Patton, 2002: 439).

The data collected was analysed from the transcribed interviews. The suitable method for the data analysis is a content analysis due to the structured nature of the data and the information required from the data. Content analysis according to Nigata (2012: 40) is the categorisation of verbal and/or behavioural data for the purpose of
classification, summarisation and tabulation. A content analysis method was carried out on the transcribed interview schedule.

The content analysis was carried out on all the responses in the interview and doing so, gathering the necessary answers to the outlaid secondary objectives. The responses were taken from the word template and entered into a spreadsheet to allow for easier analysis of each response to the question seen in appendix B. By doing so, the answers for each question could be examined for interesting facts, similarities and differences. This also allowed one to see which questions were not answered and the reason for this.

The collected data that was found to be interesting and of importance in the sport betting industry, further the data that agreed, disagreed or held a difference of opinion with the literature review and identified secondary objectives, was highlighted to be discussed further in relation to the literature review to create a better understating of the sport betting industry in SA.

3.7. RELIABILITY AND VALIDITY OF THE RESEARCH

Quantitative research unlike qualitative research makes use of systematic formulas to test the reliability and validity of a study. Qualitative research cannot rely on numbers and statistics to test reliability and validity. Reliability and validity of a qualitative study rely on the trustworthiness of the research carried out (Shenton, 2004: 63).

Guba as cited in Shenton (2004: 63), constructed four criteria for one to pursue trustworthiness in qualitative studies:

a) Credibility (instead of internal validity)
b) Transferability (instead of external validity/generalisability)
c) Dependability (instead of reliability)
d) Confirmability (instead of objectivity)

Credibility of the study can be achieved by the correct adoption of research methods, knowing one’s research population, the use of different research methods in the data collection stage, and the examination of previous research findings (Shenton, 2004: 65). The researcher relied on her own past experience and knowledge of the industry.
to communicate with and analyse the industry. A thorough search was carried out for all literature pertaining to the sport betting industry.

Transferability is based on the ability of a study to be applied to the bigger population (Shenton, 2004: 69). The use of a small sample size can negatively affect the ability for the research to be generalised to the bigger population, but in this case an analysis of the sport betting industry and the experience of the population size within the industry can be generalised to most of the sport betting organisations in SA. The industry itself is small in the great scheme of industries in SA. Most of the organisations in the sport betting industry have more similarities than differences – they all need to abide by the regulation and legislations laid out by the National Gambling Board and the Provincial Gambling Board with which they are registered with, they all need to have a sport betting offering of some type, they all need to interact with their customers, and they are all impacted by the various technological factors impacting the growth of the sport betting industry.

The dependability of a study relies on the fact that should the study be carried out in the same context with the same methods and participants, that results would be similar (Shenton, 2004: 71). Should one go out tomorrow to analyse the sport betting industry, its history would not be different, the current organisations dominating the industry would not be different, and the factors impacting the growth of the industry such as the Financial Intelligence Centre Act (FICA) and Black Economic Empowerment (BEE) would still be evident. This should be a different case 10 years from now, if the current technological struggles such as FICA, access to Internet and payment options have been solved.

Confirmability relates to objectivity, meaning that the findings are a result of the participant’s experiences and thoughts and not those of the researcher (Shenton, 2004: 72). The objectivity of the study is confirmed through the use of open-ended questions in the interview schedule. Open-ended questions allow the participant to answer the question openly and as one wants to. Closed-ended questions can shift the participants’ answers in a specific direction by forcing them to select one option where they may need more flexibility to answer the question better.
3.8. ETHICAL CONSIDERATIONS

Ethical considerations regarding plagiarism, protection of human rights, falsification of research and sensitivity to confidential information were conducted. On introduction, individuals were explained the purpose of the study. On meeting, permission was requested of all individuals for interviews to be recorded. All participants were assured confidentiality and anonymity. Only the researcher would have access to the recordings and transcriptions, and at no time shall the recordings be made publicly available.

3.9. LIMITATIONS OF THE STUDY

There are matters and occurrences that arise in a study that a researcher has no control over which and are called limitations (Simon & Goes, 2013: 1). Limitations according to Simon and Goes (2013:1), “limit the extensity to which a study can go, and sometimes affect the end result and conclusions that can be drawn.” The identified limitations will be discussed next.

3.9.1. Sample size

The sample size of the population was based on a purposive, non-probability sample, meaning that a small information-rich sample size was selected by the researcher. The small sample size selection is based on the expert knowledge and experience required for the objective of the research to be achieved. The small sample size, non-probability method, personal experience and knowledge do not afford generalisation of findings.

3.9.2. Internet Citation Decay Effect

Most references made in this study are Internet-based with far more resources found online than in a traditional ‘hard-copy’ publishing. This is due to the nature of the sport betting industry itself and its fairly new existence. In years to come, the cited information may be changed and republished with new findings, this is known as Internet citation decay effect discussed by Montabon, Sroufe and Narashiman (2007: 1004).
3.9.3. Timing of the Research

Due to the cross-sectional nature of the research, the research was carried out at a specific point of time over a short period. The study has included the past, present and future outlook for the sport betting industry up until the end of 2015. Further research will need to be done to include future changes within the industry, especially regarding regulation.

3.9.4. New Entrants

As the industry sees more growth, the establishment of new sport betting organisations and more partnerships and ventures are introduced, so will the major role-players and industry professionals need to be interviewed, questioned and analysed and their input and value realised.

3.10. CONCLUSION

In this chapter the research design and methodology were divided into six sections and revealed via a spray diagram. Each section was then discussed in detail with the primary and secondary objectives restated. The objectives laid out were achieved through the use of primary and secondary data collection and further guided by the research questions, providing data and information that is descriptive, exploratory and interpretivism in nature. The cross-sectional nature of the study considered and analysed all information on a specific topic (sport betting with the focus on online sport betting) at a specific time (up until the end of 2015).

The research problem identified the limited information available to all individuals, professionals and potential customers, and so the research endeavours this challenge by providing a document containing the on goings of the past 15 years in the sport betting industry with various insights from industry professionals. The research design, data collection and data analysis discuss how this research problem looks to be investigated through the literature research and analysis.

The ethical considerations and limitations of the study were considered. The researcher must provide reliable, valid and trustworthy information for individuals, professionals and future customers to benefit from. The sensitive nature and confidentiality of information gathered must be taken into account while ensuring that
all information is reflected in the correct manner. The final section considered the limitations of the study that could negatively impact the achievement of the research objectives.
CHAPTER 4
RESEARCH FINDINGS AND DISCUSSION

4.1. INTRODUCTION

The purpose of this chapter is to report and present the results of the study. The primary objective of the study is to provide an in-depth analysis of the online sport betting industry in SA by using the secondary objectives. From a sample of 15, the response rate was 67%.

The presentation of the findings will be presented under the following headings: descriptive statistics of the research, the respondents, analyse the legalities and regulation of online sport betting in SA, identify the organisations currently involved and dominating the online sport betting industry in SA, explore the growth of the online sport betting industry in SA, the technological advancements within the sport betting industry, identify the perceived to be customers of an online sport betting organisation from an organisation perspective, and information and knowledge of the sport betting industry and the future of online sport betting in SA.

4.2. DESCRIPTIVE STATISTICS OF THE RESEARCH

The onset of selecting the research sample was based on an Internet search for online sport betting organisations in SA. The selection of the sample was dependant on how long the organisation has been in operation, if the organisation is involved in online sport betting, if the organisation offers horse racing and sport betting, if live in-play is offered, and whether there is a land based division. Table 4.1 depicts the various SA sport betting organisations that could answer the secondary objectives of the study.
Table 4.1: SA Online Sport Betting Organisations

<table>
<thead>
<tr>
<th>Company</th>
<th>In-Play</th>
<th>Horses</th>
<th>Tote</th>
<th>Sport</th>
<th>Online</th>
<th>Shops</th>
<th>No.</th>
<th>Registered with</th>
<th>Social</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bet.co.za</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Betting World</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>60</td>
<td>Gauteng</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Hollywood Bets</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>80</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Interbet</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Keith Ho Betexchange</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>10</td>
<td>Gauteng</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Marshalls World of Sport</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>42</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Mbet.co.za</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Phumelela</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>209</td>
<td>Gauteng, North Cape, Free Stat, Eastern Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Tabonline owned by Phumelela</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Playbet</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>5</td>
<td>Gauteng, Mpum and North West</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Sportingbet</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Sportsbet.co.za</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>15</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Sunbet</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>0</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Supabets</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>12</td>
<td>Western Cape</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>World Sports Betting</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>5</td>
<td>Gauteng</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>

The 15 listed organisations were contacted via email. The introductory email and questionnaire can be found in Appendix C. The response to the introductory email made up the sample, which can be seen in Table 4.2., and was made up a sample size of 10.

Table 4.2: Selected influential role-players in sport betting in SA

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Position/Title</th>
<th>Company name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>Chief Operating Officer and Chief Financial Officer</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>General manager of Sports Betting</td>
<td>Supabets</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>National Compliance &amp; Licencing</td>
<td>Supabets</td>
</tr>
<tr>
<td>Respondent 4</td>
<td>Chief Executive Officer</td>
<td>Shuffle up poker (pty) ltd</td>
</tr>
<tr>
<td>Respondent 5</td>
<td>Racing and marketing Executive</td>
<td>Gold Circle</td>
</tr>
<tr>
<td>Respondent 6</td>
<td>General Manager: Africa</td>
<td>Supabets</td>
</tr>
<tr>
<td>Respondent 7</td>
<td>VIP/Retention Manager</td>
<td>Bet.co.za</td>
</tr>
<tr>
<td>Respondent 8</td>
<td>Manager: Customer and Interactive Services</td>
<td>Phumelela</td>
</tr>
<tr>
<td>Respondent 9</td>
<td>Sportscaster/Pundit/Tipster</td>
<td>SuperSport</td>
</tr>
<tr>
<td>Respondent 10</td>
<td>Acting CEO</td>
<td>World Sports Betting</td>
</tr>
</tbody>
</table>
4.2.1. The Respondents

Only responses from owners, executive managers or heads of departments were considered for this study. By doing so, the most knowledgeable and influential information could be gained from these experienced individuals.

Respondent 1, the Chief Operating Officer and Group Finance Director for Phumelela has been involved in the sport betting industry for over 20 years.

Respondent 2, the General Manager of sport betting for Supabetts started a career in land based sport betting in 1994. In 2008 the opportunity in online sport betting was realised and Supabets was formed and began operation in 2009.

Respondent 3, the National Compliance and Licencing Manager of Supabets has specialised in compliance and regulation and working with various Gambling Boards in SA since the early 90s.

Respondent 4, the Chief Executive Officer (CEO) of Shuffle Up Poker and Queen Ten has been involved in sport betting online and offline since 1989.

Respondent 5, the racing and marketing executive at Gold Circle began a career in horse racing in 1977 and has worked in the horse racing industry ever since.

Respondent 6, the General Manager for Africa at Supabets, began his career in online sport betting six years ago at Voltbet (the now Sunbets), and moved to Supabets in 2013.

Respondent 7, the current VIP and retention manager for Bet.co.za started her career in the sport betting industry in 2010 and has been with Bet.co.za since 2012.

Respondent 8, the online interactive channel manager at Phumelela since 2004 is directly involved in the operational and turnover budgets, interactive and customer service, the call centre and the finalising and implementing of systems.

Respondent 9, a sportscaster/pundit/tipster in SA. Respondent 9 has been involved in the sporting industry since 1991 beginning a career launching sport betting for one of the most influential broadcasters in SA.
Respondent 10, the Director at World Sports Betting and the current acting CEO began a career in the sport betting industry at the age of 24 in 2002.

The respondents between themselves have close to 200 years' experience in the sport betting industry in SA, making them useful resources to gain knowledge and information on the sport betting industry in SA. In some cases there were two or three responses from individuals from different departments within the same organisation. The view of each department member on each topic was interesting in terms of how each factor impacts the department differently.

The current state of sport betting and online sport betting is explored further in the interview schedule with more insight being given by professionals.

A content analysis was carried out by reviewing each respondent’s answer to the interview schedule once transcribed, and placed in the template in Annexure B. The content analysis allowed for easier comparison and identification of the similarities and differences of each respondents answer. The interview schedule was then broken down into categories to match the identified secondary objectives. The researcher opted for this approach to allow for direct comparison and analysis to be made to the literature review in Chapter 2, which was constructed according to the identified secondary objectives.

The interview schedule will be presented according to each secondary objective, a summary of the responses to be made thereof and reference to be made on the literature review thereafter.

4.3. ANALYSING THE LEGALITIES AND REGULATION OF ONLINE SPORT BETTING IN SA

The legal aspects and the regulation of the online sport betting in SA was addressed in question 8 of the interview schedule.

| Question 8 | In terms of the legal framework in SA and the various Gambling Boards within each province, in your opinion are these organisations run and monitored well, what is the standard of professionalism and do they hamper or help the industry? |

In SA, as pointed out by all of the respondents, each Provincial Gambling Board follows its own rules, own application forms and processes, own advertising
regulations and own fine structure. The following two inserts represent the respondent's responses to the regulation of sport betting within SA.

Insert 1:

| Respondent 1 | You don’t typically find this on an international front. To have nine independent regulatory authorities with their own thought processes, ideas, different tax regimes, different PDI (Previously Disadvantaged Individuals) requirements, the hurdles are just enormous and they don’t speak with the same voice. We have a National Lottery that talks to one and is governed by a national board. Why don’t we have a National Gambling Board that governs the industry and speaks for the industry? Then there is also the DTI (Department Trade and Industry), whom make their own decisions where things should go. The whole thing is messy. So in my view, this whole provincial divide needs to stop. The DTI needs to step in and create a National Gambling Board that can make decisions. Taxes across SA should be the same or at least similar. |

Insert 2:

| Respondent 3 | The benchmark is set by the National Gambling Act but they oversee what the provinces do. The provinces build from there. The Western Cape follow the US model and the US laws that govern their Act. The other provincial boards follow the Roman and English models which are more user-friendly. If you read the legal framework and regulations of the Western Cape, you really need to read, read and read again to understand and make sense of the regulations in place whereas most other Gambling Acts are easier to understand. The legislation itself is not complicated, but compliance is an issue. The complicated aspect is that each Board has their own application forms, their own information they need, it’s a nightmare, there is no uniform form. |

Besides all bookmakers falling under the National Gambling Board, it is the individual Provincial Gambling Boards that dictate daily operation. The Western Cape provides the most licences in SA out of the nine provinces and does so at a much lower fee, making the hurdle in this province for entry into the industry very low. The use of Provincial/State Gambling Boards to enforce rules and regulations within their own province/state, seems to be in line with much of the world.

There was consensus among all participants that having nine provinces and nine different Gambling Boards is not ideal. Respondent 1 and 9 state that the varying rules and regulations far more hinder than benefit the industry especially during the marketing phase as some provinces allow any promotion to be advertised (Gauteng gambling Board) where others have strict perimeters in this area (Western Cape).
<table>
<thead>
<tr>
<th>Respondent 1</th>
<th>You don’t typically find this on an international front. To have nine independent regulatory authorities with their own thought processes, ideas, different tax regimes, different PDI (Previously Disadvantaged Individuals) requirements, the hurdles are just enormous and they don’t speak with the same voice. We have a National Lottery that talks to one and is governed by a national board. Why don’t we have a National Gambling Board that governs the industry and speaks for the industry?</th>
</tr>
</thead>
</table>

| Respondent 9 | The official answer is to benefit the industry it is important for the Gambling Boards to become nationalised and have the same rules across all the provinces. It will make our lives easier and will assist the Gambling Boards significantly and make their skills more portable between the Gambling Boards. |

Worldwide there seems to be consensus for each province to be governed by a Provincial Gambling Board. In the United States of America (USA), the federal law states that land-based gambling is legal, each state from this aspect is free to regulate or prohibit gambling as they see (Church-Sanders, 2012: 234). In Argentina, online gaming is legal with very few local betting sites permitted to offer the service within the province they operate (Church-Sanders, 2012: 238). Within Europe, a local licence purchased within a state will allow an organisation to target a local market. Within this market the organisation will then be able to supply online sport betting and possess all local advertising permissions (Church-Sanders, 2012: 240). Where in the UK no operator is prohibited from transacting with citizens whether the operator has a licence or not, the UK industry is completely unregulated (Church-Sanders, 2012: 252), in Australia, specifically Victoria, the Australian Capital Territory that adhered to the country’s National Model enforces that the licences granted in one state or territory receive reciprocal status in all other states/territories (Church-Sanders, 2012: 254). The current South African structure is in line with the international norm as discussed previously each province is governed by their own Gambling Board.

In SA as pointed out by the respondents, each Provincial Gambling Board follows its own rules, own application forms and processes, own advertising regulations and own fine structure. Besides all bookmakers falling under the National Gambling Board, it is the individual Provincial Gambling Boards that dictate daily operation. The Western Cape provides the most licences in SA out of the nine provinces and does so at a much lower fee, making the entry into the industry easier and more affordable. The
use of Provincial/State Gambling Boards to enforce rules and regulations within their own province/state, seems to be in line with much of the world.

Apart from the different Provincial Gambling Boards, there have been two main problem areas over the past 5 – 10 years that have negatively impacted the sport betting industry in SA referred to by the respondents. The two problems are discussed next.

Two main issues are discussed with regard to regulation and legislation in SA that are hindering the growth of the sport betting industry, which are Black Economic Empowerment (BEE) and compliance (FICA). The required percentage of BEE changes year to year and makes it specifically difficulty when applying for new licences and trying to enter the market. The pool of individuals interested in sport betting is limited, the number of professionals in the industry are even more limited, so finding individuals who will add value to the business and understanding the industry is a difficult task. A level 2 compliance on BEE is required in SA. BEE is an initiative in SA focused on addressing restrictions that exist for black individuals to participate fairly in the SA economy (BEESA Group, 2016: ¶1). A BEE status is similar to a BEE score which organisations achieve by gaining BEE points. Depending on the contribution made to supporting the incorporation of black people into the economy, the more points one scores results in a higher score (BEESA Group, 2016: ¶4). Currently, the BEE levels range from level 8 to level 1 with level 8 being the least amount of support provided to black empowerment. Figure 4.1., shows the BEE status, codes and procurement recognition as of October 2014.
Figure 4.1: The BEE Point requirements for each of the 8 BEE Status Levels.

<table>
<thead>
<tr>
<th>2013 BEE Codes</th>
<th>BEE Status (Level)</th>
<th>Procurement Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>100+</td>
<td>1</td>
<td>135%</td>
</tr>
<tr>
<td>95-100</td>
<td>2</td>
<td>125%</td>
</tr>
<tr>
<td>90-95</td>
<td>3</td>
<td>110%</td>
</tr>
<tr>
<td>80-90</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>75-80</td>
<td>5</td>
<td>80%</td>
</tr>
<tr>
<td>70-75</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>55-70</td>
<td>7</td>
<td>50%</td>
</tr>
<tr>
<td>40-55</td>
<td>8</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: BEESA Group (2016: ¶7)

A level 2 BEE status therefore requires a code of 95 to 100 points. Organisations earn these points through the following criteria (BEESA Group, 2016: ¶8):

- Ownership (25 points)
- Management Control and Employment Equity (15 points)
- Skills Development and Preferential Procurement (20 points)
- Enterprise and Supplier Development (40 points)
- Socio-economic Development (5 points)

The more points an organisation earns, the lower their BEE status. The lower the status the more beneficial.

FICA as discussed in Chapter 2 are the compliance and regulation structures in place where all organisations must “know their customer.” All participants agree that FICA is one of the biggest barriers to betting, as the bookmaker needs the customer who wants to place a bet to be able to register quickly, deposit funds into their account, and place a bet. When individuals are blocked from the beginning by having to send through documents first, many are deterred and do not return.

All participants agree that FICA is a compliance issue and a solution needs to be introduced to overcome this not only in sport betting, but for all financial service providers. Through investigation of international research, there is no such compliance restriction identified.
4.4. IDENTIFYING THE ORGANISATIONS CURRENTLY INVOLVED IN AND DOMINATING THE ONLINE SPORT BETTING INDUSTRY IN SA

Within the sport betting industry in SA there are sport betting organisations that dominate the industry. Question 4 investigated who these current role players are.

<table>
<thead>
<tr>
<th>Question 4</th>
<th>What does the current online sport betting industry look like? Who are the major players, and who is making the most impact?</th>
</tr>
</thead>
</table>

The major role players as identified by all participants, based on a content analysis can be seen in Figure 4.2.

Figure 4.2. The identified Major Role Players in Sport Betting

Each identified role player offers a bookmaking service in the sport betting industry in SA. Hollywood bets opened their first retail store in Argyle Road in Durban in 2000. In 2015 Hollywood Bets had 74 retail betting stores in SA with one branch in Lesotho. As the industry has changed so has Hollywood bets with the launch of online sport betting, including a mobisite. Hollywood bets offer sport and horse racing betting with a focus on their horse racing betting markets (Hollywood bets, n.d.: ¶5). Hollywood bets are licensed with the Western Cape Gambling Board and the Gauteng Gambling Board.
Phumelela is not listed among the major players in the industry as they currently dominate the horse racing industry in SA, but during the 2014/2015 period they made some interesting changes within the sport betting industry. Phumelela could see the growth in sport betting and witness the stagnation of the horse racing industry. This led them to purchasing Betting World, 50% of Supabets and a 26% stake in Interbet. This was to implement their strategy to innovate and diversify their sport betting income streams due to the waning profits of their current traditional horse racing business (Cape Business News, 2015: ¶4). Each organisation still operates independently, but reports into the Phumelela structure, adding to their overall turnover. Betting World has built a good base in the online and retail markets offering both horse racing and sport betting. Betting on numbers makes up a big portion of Betting World’s books. Betting on numbers is betting on the Lotto numbers where individuals stand more of a chance of winning then actually buying a lotto ticket. This is a market that Phumelela saw as an opportunity for growth. The purchase of Betting World allowed Phumelela to expand their current retail base with Tabonline and the sport betting market is a much larger offering than Phumelela’s current Soccer 6 (an individual selects the outcomes (win or lose) of 6 games, should each leg come through, the individual wins). Phumelela has grown extensively through its Betting World unit with retail outlet numbers growing from 30 to 60 in the past two years and another 22 pending licences. (Thomas, 2015: ¶9).

The percentage stake purchased in Interbet by Phumelela was a bold strategic move in that Interbet is the only SA online bookmaker to offer business-to-business betting exchanges (Fin24.com, 2015: ¶10). A betting exchange allows individuals to place a bet against each other rather than against a bookmaker (Betfair.com, 2015). The organisation hosting the betting exchange will charge a small commission on the nett winnings of the transaction. The biggest betting exchange in the world is offered by Betfair. Betfair.com (2015) processes more than seven million exchange transactions every day, more than all European stock exchanges combined. Because of this, it can be seen why Phumelela would want to buy a stake in Interbet now. In 2014 Interbet recorded a total of “R1bn inbets placed during the financial year from 3.5 million bets at an average bet value of R285” (Fin24.com, 2015: 10).
Phumelela’s growth within the sport betting industry has been extensive in a short period of time. Other sport betting organisations in the sport betting industry are discussed below.

World Sports Betting (WSB) was founded in 2002 and offers five retail stores and an online market. WSB offers sport and horse racing markets (World Sport Betting, 2015).

Keith Ho Betxchange has been in the sport betting industry since 1988 and is licensed with the Gauteng Gambling Board. Betxchange offers 10 retail stores and an online market. The retail stores make up the bulk of their book (Betxchange.co.za).

Sportingbet began operating in 1998 in London and launched in SA in 2009. In 2015, Sportingbet operated in 26 countries with over 700 000 active bettors worldwide (SportsbettingSA, 2014). Sportingbet only offers an online platform with no retail stores, attention and details have been emphasised on its website, mobile sites and a mobile application to make sport betting accessible worldwide (SportsbettingSA, 2014). Sportingbet is one of the most popular sportbooks in SA due to its international roots.

Supabets is primarily focused on the retail market of sport betting, targeting the lower LSM groups with over 31 branches in SA and numerous branches in Africa in the pipeline. Supabets primarily establishes retail outlets in urban areas, gaining much more exposure to the lower LSM markets (SportsbettingSA, 2014).

Sportsbet.co.za is a family-owned business which is known for its introduction of spread betting in the SA market as discussed in Chapter 2, point 2.4.3. Sportsbet.co.za offer both horse racing and sort betting markets in the retail and online industries (SportsbettingSA, 2014).

Marshalls World of Sport was started by John Marshall and Dawn Marshall (the first lady bookmaker in SA) and has been involved in the SA sport betting industry since 1963, before the industry became as regulated as today. Marshall World of Sport offers online, retail, telephone and mobile betting with 37 shops currently in operation (World of Sports, n.d.).

Hollywood Bets was named the most as a major role player followed by Supabets by the respondents. Hollywood Bets was formed in 2000 in Durban and currently operate
74 betting shops (Hollywood Bets, n.d). Supabets has been in existence since 1994 and has put much effort into their land-based stores, making them one of the forerunners in this market. Online though Supabets is lagging behind.

Growth specifically within each individual organisation cannot be identified without a thorough analysis of the individual organisation’s financial statements and actual punter growth over the past 15 years. In terms of growth within the industry in terms of the Gross Gaming Profit statistics can be analysed as this information is publicly provided by the National Gambling Board of SA. The various avenues of growth, as identified by the participants, are expressed in section 4.5.

4.5. THE GROWTH OF THE ONLINE SPORT BETTING INDUSTRY IN SA

With reference to the literature review, there is no doubt that sport betting and online sport betting have grown and are still growing. The participants were asked their views regarding this growth and the factors contributing to this growth in question three.

<table>
<thead>
<tr>
<th>Question 3</th>
<th>How has the online sport betting industry grown within South Africa in the past 15 years? (Number of people betting, number of organisations, legalities, marketing, money spent, sponsorships)?</th>
</tr>
</thead>
</table>

Over the past 15 years, the sport betting industry in SA has seen much growth, on this all participants agree.

| Respondent 1 | It's definitely grown, and in our environment we have seen a massive uptake in the online space, especially on the betting room chain and it's growing by the day. Now the interesting thing is it's not necessarily horse racing that's growing, it's obviously more the sports and what we call numbers bet which is the lotto bet type. Horse racing is pretty much flat or growing at CPI, yet it's still your biggest player but it's fast going to be overtaken by mostly soccer betting. We launched a small rugby bet type but it didn't really work. The big money is sitting in soccer. |

The growth of the industry is being seen specifically in sport betting while horse racing has become stagnant with growth according to CPI. The online sport betting industry has experienced growth year on year, whereas the horse racing industry has become stagnant. In 2011, gross gaming revenue amounted to R2.2 billion with horse racing making up 78% of that total with R1.7 billion, but only saw the industry grow by 1.5%.
Sports betting grew 35.8% within the same year, making it the fastest growing gaming revenue in 2011 (PwC, 2012: 21).

One of the reasons identified for this could be due to no taxes levied on bookmakers. Horse racing is levied at 6% of all winnings. By doing so, this levy goes back into the horse racing industry to ensure its survival. This tax also pays for the stadium upkeep and hosting the show. A very interesting aspect explained by Respondent 9 from Phumelela, is that horse racing creates over 9 000 jobs in SA. It is a labour intensive process that does not require a minimum education level, because of this it is important to keep the horse racing industry going.

The horse racing and sport betting sectors have seen growth from 9.1% from FY13 to FY14 to 22.2% from FY14 to FY15 as identified by the National Gambling Board of South Africa (2015b: 7). There are a number of factors that have contributed to this, such as technology and apps, customer experience, smartphones and Internet access. The growth factors can be seen in the following responses from participants.

| Respondent 2 | With the change in technology in South Africa, with people having more access to smartphones, it's becoming more accessible to more people. To me it's still very small in comparison to what it will be in a couple of years' time, but I think that as more people get access to technology and to the Internet, it will grow more. But it has grown. |
| Respondent 4 | The market is completely different from 15 years ago. 15 Years ago horse racing would have been the dominant revenue stream, but now sports betting is far bigger. In 2000 people were hesitant to purchase anything on the Internet so online sports betting also had to deal with this obstacle. This is no longer the case and punters are doing multiple on line transactions every day. |

Through technology and smartphones, online sport betting has become accessible to everyone. The growth of Internet and mobile accessibility in SA was discussed in depth in the literature review in Chapter 2. The mobile industry in SA has seen tremendous growth with almost every individual owning a smartphone. All participants stated that the number of individuals who have access to Internet and smartphones have grown tremendously over the past 15 years. In 2012, PwC (2013: 59) identified that 10.8 million South Africans were mobile Internet subscribers which accounted for
90% of the country’s total broadband connections. Based on a Compound Annual Growth Rate (CAGR) of 25.4% in 2017, this number should grow to 32.3 million, as shown in Figure 2.18 (PwC, 2013: 59).

The growth of the online sport betting industry cannot be questioned but the type of organisation and its structure has an impact on the success of demise of the organisation with the industry. All participants agree that the most successful operation is one that includes an online and retail market. Land-based and online sport betting was touched on in Chapter 2 of this study. Organisations have either chosen to offer only online, only land-based or a combination on online and land-based sport betting. The aim of this study is to analyse online sport betting in SA and in doing so, one cannot leave out land-based sport betting. The organisations that choose to only focus on online betting will be taking on an immense risk, there is only a percentage of the population who have credit cards and can therefore place a bet online. Retail captures the normal man on the street who will spend R7 on a bet. This question was answered in the interview schedule.

The responses regarding the best model in the sport betting industry in SA in terms of online, retail or a combination business model can be seen in Question 9 of the interview schedule investigated this factor.

<table>
<thead>
<tr>
<th>Question 9</th>
<th>In your opinion is online or land-based or a combination of both the best business model currently in the industry?</th>
</tr>
</thead>
<tbody>
<tr>
<td>All participants believe that a combination of online and retail divisions will result in the future existence of an organisation within the sport betting industry. The following responses highlight the reason for a combination of land-based and online sport betting organisations.</td>
<td></td>
</tr>
</tbody>
</table>

| Respondent 1 | In terms of retail and online you cannot just afford to go online. If you look at where we are playing right now on the soccer and numbers, numbers is the only bet time that brings women into our shops and they queue all day if they have to. We have queues early in the mornings of 2 to 3 hours long. |
| Respondent 4 | The shift has been from land-based to online and back to land-based betting as the masses have entered the industry. Both are important and to be successful in the industry, it is important to play in both areas. When an operator is running their business they will quickly find out what suits their |
business best and where they can improve, but all the major players in the industry are represented in land-based and online spaces.

Respondent 8

Retail industry is definitely bigger than online but you have to have a combination. We have a combination. The online side is definitely growing, but it’s not growing on the retail side, the bleed is coming from the telephone business, that’s what is converting. Although your overheads are lower on the online side, it’s also a reputation thing. TAB has got a very good reputation because they’ve been around for so long. People don’t know Phumelela. They do know that if you open an online account with us, that your money isn’t going to get stolen.

Respondent 9

I believe a combination and there are a lot of punters yet to embrace online wagering and still prefer the more traditional forms of wagering in which cash is paid over and a physical ticket is issued.

Respondent 10

Land-based retail gaming outlets serve your lower LSM who focus on multiple soccer betting and lotto with an overall and approximate gross gaming margin of 25% as opposed to online, which is considerably less (+- 10% >> higher LSM and a more informed end user).

With this in mind, the number of bookmakers who are only online-focused is limited, most bookmakers consist of an online and retail market. Out of the 14 shops that were identified for this study, only five were not in the retail market – bet.co.za, Interbet, Mbet.co.za, Sportingbet and Sunbet. Within SA, the remaining nine bookmakers collectively have over 500 shops, as can be seen in Table 4.5. Phumelela is a special case as their retail stores operate as Tab and their online portal is tabonline.co.za. The retail stores are therefore the Totalisator Agency Boards (tabs).
Table 4.3. Sport Betting organisations in SA who offer online sport betting, retail shops and/or a combination

<table>
<thead>
<tr>
<th>Company</th>
<th>Online</th>
<th>Shops</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bet.co.za</td>
<td>√</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Betting World</td>
<td>√</td>
<td>√</td>
<td>60</td>
</tr>
<tr>
<td>Hollywood Bets</td>
<td>√</td>
<td>√</td>
<td>80</td>
</tr>
<tr>
<td>Interbet</td>
<td>√</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Keith Ho Betxchange</td>
<td>√</td>
<td>√</td>
<td>10</td>
</tr>
<tr>
<td>Marshalls World of Sport</td>
<td>√</td>
<td>√</td>
<td>42</td>
</tr>
<tr>
<td>Mbet.co.za</td>
<td>√</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Phumelela</td>
<td>√</td>
<td>√</td>
<td>209</td>
</tr>
<tr>
<td>Tabonline owned by Phumelela</td>
<td>√</td>
<td>√</td>
<td>0</td>
</tr>
<tr>
<td>Playbet</td>
<td>√</td>
<td>√</td>
<td>5</td>
</tr>
<tr>
<td>Sportingbet</td>
<td>√</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Sportsbet.co.za</td>
<td>√</td>
<td>√</td>
<td>15</td>
</tr>
<tr>
<td>Sunbet</td>
<td>√</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Supabets</td>
<td>√</td>
<td>√</td>
<td>12</td>
</tr>
<tr>
<td>World Sports Betting</td>
<td>√</td>
<td>√</td>
<td>5</td>
</tr>
</tbody>
</table>

To be able to determine which sport betting business model is academically better, further investigation will need to take place that concentrates on each organisation individually, considering the number of punters, the LSM target group and the online to retail split. For this study it can be assumed based on the responses, that a combination model is best suited, currently in 2015, that is. The future may look very different.

According to Magnus Silfverberg, the president and CEO of Betsson (Church-Sanders, 2012: xvi), the migration from land-based to online gaming will continue for the foreseeable future and drive growth consequently. This growth will be dominated by an entire shift in a player base where the younger internet-prone population come of age to gamble and the less internet-prone players stop playing. Currently in 2015 only 8% of total gambling occurs online.

An example of an organisation leaving the land-based market to concentrate only on online, is Bet365 in Europe. “Bet365 has grown into one of the world’s largest online gambling companies with its reported figures to March 2012 showing amounts wagered on sports at £12.2bn, revenues of £646m, and an operating profit of
£116.5m" (Church-Sanders, 2012: 14). Bet365 is one example that was successful in focusing on online sport betting only, there have been many organisations that have tried and failed, such as Ladbrokes and William Hill (London-based bookmakers). The most important hurdle one faces is to be the first mover in the market and to capitalise on the industry, planning is essential from the beginning.

One of the benefits of an online organisation is the ability to track a punter betting activity, the popular type of bets, the most popular markets, and the ability to identify which markets are not so popular (Church-Sanders, 2012: 78). The online sport betting organisation can benefit from the flexibility given by knowing what punters are enjoying and what they are not enjoying, and for changes to be made promptly.

Church-Sanders (2012: xiii) states that a land-based organisation operationally is more expensive to run due to the labour requirements. An organisation needs to employ staff to run the store, take bets, perform FICA and handle payouts. An online organisation can rely less on a staff complement and more on a powerful software base.

One of the factors leading to the growth of the online sport betting industry is advancement in technology. The identified technological advancements will be discussed in section 4.6.

4.6. THE TECHNOLOGICAL ADVANCEMENTS WITHIN THE SPORT BETTING INDUSTRY

As stated throughout the literature review, technology has played a major role within the online sport betting industry. All organisations that have a retail segment, have an online segment as well. Due to this, there must be something to gain within this segment. Question 6 addressed the technological advancements with the online sport betting industry.

| Question 6 | Technology has had the biggest impact on online sport betting i.e. access to computers, mobile devices, and consumers’ ability to be active and online from anywhere. How do you view technology and its impact on the online sport betting industry? In your opinion what is next within this arena? |
In Chapter 2 of this study, the impact of technology on the online sport betting industry was identified and addressed, the conclusion drawn was that technology plays a major role within the online sport betting industry. According to John O’Connor in Church-Sanders (2012: 8), the B@B director at the Racing Post in the UK, stated that technology has provided more opportunities for sports betting than anyone could have envisaged. It is now a case of two clicks and a bet is placed,

All organisations that have a retail segment, have an online segment as well and because of this there must be something to gain within this segment. This is shown in Table 4.4.

**Table 4.4:** Retail/land-based sportbooks with online markets

<table>
<thead>
<tr>
<th>Company</th>
<th>Online</th>
<th>Shops</th>
<th>No.</th>
</tr>
</thead>
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<td>√</td>
<td>60</td>
</tr>
<tr>
<td>Hollywood Bets</td>
<td>√</td>
<td>√</td>
<td>80</td>
</tr>
<tr>
<td>Interbet</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keith Ho Betxchange</td>
<td>√</td>
<td>√</td>
<td>10</td>
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<td></td>
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<td>√</td>
<td>5</td>
</tr>
<tr>
<td>Sportingbet</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sportsbet.co.za</td>
<td>√</td>
<td>√</td>
<td>15</td>
</tr>
<tr>
<td>Sunbet</td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supabets</td>
<td>√</td>
<td>√</td>
<td>12</td>
</tr>
<tr>
<td>World Sports Betting</td>
<td>√</td>
<td>√</td>
<td>5</td>
</tr>
</tbody>
</table>


Without technology sport betting in general would not be possible. Technology has allowed applications and software to be created to offer a sport betting platform to generate a bet whether in online sport betting or at a retail store. Users of sport betting platforms require information and explanation on how the sport betting platform works and the variety of options available. Technology has allowed for such information to be made available. 

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This information in the form of Internet based bloggers, sport news sites (Sport24, ESPN, SkySport) and websites such as Goodforthegame.co.za that provide player and team statistics, latest news, live streaming capability and live scoring for any sport, allows individuals to stay informed and ultimately place the most informed sport bet.

This type of information can be seen via Figure 4.3. screengrab of the Good for the Game website, goodforthegame.co.za (2016).

**Figure 4.3:** Good for the Game screengrab

![GoodfortheGame screengrab](image)

*Source: Goodforthegame (2016)*

Figure 4.3., depicts different types of information one may be looking for by sport category (football, rugby, cricket, golf) or breaking news stories. Many punters rely on this type of information to place well informed bets, team announcements, injuries, change in captaincy, politics with the sporting code’s unions and previous performance among many others, are all factors that play an important role. Access to this type of information is of vital important to a punter and for this reason access and availability should be high priorities.
The biggest hurdle to overcome in SA is the availability of Internet access to all individuals, regardless of the LSM group or urban or rural areas and payment systems.

According to Andrew Cox (director, strategic partnerships: Opta) in Church-Sanders (2012: xv), all sportsbook operators need to recognise technological advancements and how this impact on the consumption and behaviour of punters.

The growth of mobile devices and the use thereof in online sport betting cannot be ignored. The growth of mobile technology has been remarkable and because of this, almost every participant mentioned mobile within their answers, this is referenced and discussed in the following section.

4.6.1. **Responses regarding the impact of Mobile Devices on the sport betting industry**

The use of mobile devices is beginning to dominate the world, consumers do everything on their mobile from work to entertainment. The sport betting industry is no different, consumers have access to any sport, any bet type, any market, any time, any place, and 24 hours a day. The development and use of mobile apps have been slow within the industry, many organisations have rather opted to focus on making their websites mobile friendly and start investigating the offering of a sport betting application via a mobile device. The impact of mobile devices in the online sport betting industry was asked in question 7.

<table>
<thead>
<tr>
<th>Question 7</th>
<th>Do you currently have a mobile online sport betting platform (mobile application (app))? What is the split of desktop vs mobile app users? Do you believe this will increase year to year?</th>
</tr>
</thead>
</table>

In terms of a mobile application offering, most organisations have not mastered this development yet but most online sport betting organisations have optimised their current website offering for mobile devices ensuring the same experience and markets are offered.

The reason for this is due to the intricacies involved in a mobile device application especially in terms of an organisation like Phumelela who offer horse racing. Horse racing requires an individual to refresh a page continuously to ensure the latest bets are reflecting therefore the data costs of this process can be exorbitant. This is discussed further by respondent 8.
Respondent 8 | At the moment about 60% is online. We don’t differentiate on mobile as it’s so difficult to pick up. We used to run a separate mobile channel but we not have the internal resources to do our own mobile development. We don’t actually have a mobile app. The problem is the channels with an app have got to be really data intensive. When you go on the mobile we are constantly pushing results and updating it so an app would be as intensive. The site works really well with just using your browser to access it. We do have a user’s platform and it’s very small but it’s for straight line soccer bets only. We have thought about possibly getting a mobile application but have been putting a lot of effort more recently into redoing our latest website. We have been putting all our effort into redesigning this website and making sure that it’s more mobile and tablet-friendly and as easy as possible to bet.

The split between mobile and desktop sport betting is still dominated by desktop. As SA gets better broadband and cheaper data packages, there will be a big shift in this arena especially in the lower LSM. As discussed by respondent 7.

| Respondent 7 | We currently only have a mobile site and a smart site. No app. Our current split is around 35% mobile, 45% desktop and 20% tablet. I think our percentage of mobile users will definitely increase year on year as technology becomes more affordable.

Table 4.5 shows that all organisations have a mobile site. The mobile sites consist of their own websites that have been modified to be mobile and tablet-friendly.
Table 4.5: The number of bookmakers currently offering a mobile-friendly website or mobile application.

<table>
<thead>
<tr>
<th>Company</th>
<th>Registered with</th>
<th>Social</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bet.co.za</td>
<td>Western Cape</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Betting World</td>
<td>Gauteng</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Hollywood Bets</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Interbet</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Keith Ho Betxchange</td>
<td>Gauteng</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Marshalls World of Sport</td>
<td>Western Cape</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Mbet.co.za</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Phumelela</td>
<td>Gauteng, North Cape, Free Stat, Eastern Cape</td>
<td></td>
<td>✅</td>
</tr>
<tr>
<td>Tabonline owned by Phumelela</td>
<td>Gauteng, North Cape, Free Stat, Eastern Cape</td>
<td></td>
<td>✅</td>
</tr>
<tr>
<td>Playbet</td>
<td>Gaut, Mpum and North West</td>
<td></td>
<td>✅</td>
</tr>
<tr>
<td>Sportingbet</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Sportsbet.co.za</td>
<td>Western Cape</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>Sunbet</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Supabets</td>
<td>Western Cape</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>World Sports Betting</td>
<td>Gauteng</td>
<td>✅</td>
<td></td>
</tr>
</tbody>
</table>


As mentioned earlier, one of the biggest hurdles to overcome are payment methods, as this is vital to successful mobile betting, especially with the lower LSM (Living Standard Measure) as not all individuals own a debit or credit card to be able to process an online sports bet.

The literature has shown that almost all individuals in the urban and rural areas own a mobile phone.

4.7. IDENTIFYING THE ‘PERCEIVED TO BE’ CUSTOMERS OF AN ONLINE SPORT BETTING ORGANISATION FROM AN ORGANISATIONS PERSPECTIVE

In the sports betting industry, it is important to understand who the target audience is. Only once an organisation knows who their target audience is, can they begin to communicate with them. The information available to customers of a sport betting
organisation is very limited with most organisations keeping this information private. For this reason question 12 in the interview schedule investigated the characteristics of their current sportsbook.

| Question 12 | In your opinion what are the characteristics of the current sport punter – age, gender, LSM? |

All participants agree that most of their books consist of male bettors with a limited number of females selecting to bet on the lotto numbers, but this is a very small margin as seen from the interview schedule inserts below.

| Respondent 4 | Mainly men (95%). Between 18-70 years old. |
| Respondent 5 | Definitely younger (than say your typical horse racing fan) – definitely more males and from a soccer betting perspective, very popular amongst our black population. I think online sports betting cuts across all LSM’s. |
| Respondent 6 | Predominantly males, but it depends on if you are dividing the two bets, the sports betting and lotto betting. The lotto betting is very popular with woman. It’s obviously in your lower ascending areas, about 90/10 women to men for lotto, but sport it’s still predominantly men. When I’ve sat at some of the branches and seen quite a few little ladies are sitting there writing out their sports bet, which is quite a surprise to me to be honest. |
| Respondent 7 | Age will vary greatly. It is becoming more socially acceptable amongst the younger generation though. Online we obviously have a much higher LSM. Your blue collar worker will mostly play in cash shops. So once again, this will vary from your lowest LSM to your CEO at the top. 99% of punters are men. When we do have a female account, it is seen as very much the exception. Our trading team will also be wearier of female accounts as more often than not, it is a shadow account. |
Respondent 8

Male, black. LSM, in retail it’s predominantly lower LSM and in Interactive Channels, it’s a mix. In terms of age, I think it was 30s and 40s last time they analysed it. It also depends where you are dealing. If you walk into our racecourse or into one of our rooms, it’ll be white, not all though. We are getting a lot of Indian, black and coloured but still predominantly white.

Top Customers (Racing) – probably white
Top Customers (Sports Betting) – probably black

So we are also seeing the divide there but the bulk of our customers, definitely black.

What these guys do, they’ve got 4 or 5 websites open and they’ve 3 or 4 teams on and they chase value and they never only bet with us.

Respondent 9

Predominantly: 25 to 55, male.
As a general rule this depends on the bet-type. Lower LSM tends to gravitate to soccer bets that require multiple bets for a relatively small layout that potentially yields (get rich quick) huge dividends. Witness the growth and popularity in “numbers” betting.
High LSM groups are attracted to betting opportunities that might require an element of research, studying and considered opinion. They are prepared to perhaps wager larger amounts but on bet-types that, are by and large less speculative and less “lottery-like” by nature.

According to Church-Sanders (2012: 144), the typical sport gambler is between the age of 25-65, male and white and has one or more credit cards.

To be able to identify exactly who a sport betting customer is and compile a profile of such individuals, an extensive survey and analysis will need to be completed by organisations and their consumers. This will also need to be divided into two different studies – retail and online.

Based on the findings in the study the lower LSMs are more attracted to the retails stores, medium to lower LSM make use of the mobile site and the higher LSM are mostly seen online.

The most popular type of bets also relate to the LSM groups. The lower LSM group tends to gravitate more towards horse racing and soccer bets. The higher LSM groups who make use of online betting, tend to spread their bets over more markets and place the more difficult bets or the bets that require some research to be carried out.
The more information available to individuals, the more they are willing to interact with organisations and take a chance or try something new. This is especially true with regard to new offerings, in this case online sport betting, where individuals are hesitant or uncertain on a specific subject. The limited information available on sport betting and the aim of this study is to analyse the online sport betting industry which led to question 13 of the interview schedule: Is there enough information on sport betting?

4.8. RESPONSES REGARDING THE INFORMATION AND KNOWLEDGE OF THE SPORT BETTING INDUSTRY

Question 13 of the interview schedule concerned the current information available in the online sport betting industry, taking into consideration information available to punters, information available to organisations, and information on sport betting in SA.

<table>
<thead>
<tr>
<th>Question 13</th>
<th>Do you believe that potential customers are receiving enough information and knowledge on sports betting and how to bet?</th>
</tr>
</thead>
</table>

The sport betting industry is built on information and knowledge. A punter cannot place a bet without first knowing what sport game is on and what they would like to bet on and the next step is what type of bet. This is all information that a punter will search for to be able to place a bet.

According to the responses, there is an immense lack of information in the sport betting industry. Sport betting itself can become a complicated process should one not understand how it works. All organisations need to work together to find a way to simplify the workings of sport betting. There are a number of restrictions on the advertising of sport betting due to the enticement aspects which limit the ability of a sport betting organisation to communicate with customers. Organisations have taken it upon themselves to use social media and live chats through their websites to communicate more directly with customers, no matter where they are. Therefore, should someone have a question they are able to use social media and the organisation can reply. The effectiveness of this would need to be investigated further.

Information about the industry itself is lacking. The questions such as, is sport betting legal, what is the positive impact of sport betting on the country, how does sport betting works, what documentation does one need to take part in sport betting, will be
addressed. There is no one place to find this information unless an individual has time on their hands and can sit and read through endless information and do searches.

Sport betting organisations need to relook at the information they are providing and the way it is being provided. By doing so, one can grow their book purely by communicating to a South African in the right way.

After the growth of the industry, the technological advancements and the information available to customers, the next question to be asked is how the participants view the future of online sport betting in SA.

4.9. PARTICIPANTS VIEW ON THE FUTURE OF ONLINE SPORT BETTING IN SA

Each participant was asked their opinion on the future of online sport betting in SA in question 14 of the interview schedule.

<table>
<thead>
<tr>
<th>Question 14</th>
<th>In your opinion, what is the future of online sport betting in South Africa?</th>
</tr>
</thead>
</table>

All respondents agreed on the growth within the online sport betting industry specifically due to the noticeable shift to mobile and online. This is already being seen in Europe and Asia where mobile gambling is growing exponentially with users already using text messages to place bets. As mobile internet users grow so will mobile gambling. (Church-Sanders, 2012: xi). Richard Flint, the Managing Director of Sky Bet, a British-based gambling company (cited in Church-Sanders, 2012: xvii) opines, “The boom in customers using hand-held devices to bet over the last year has been remarkable. Mobile betting now accounts for over 50% of total sportsbook turnover….. Mobile will continue to be our channel of focus but ensuring all our platforms and products are fit for growth is key and an area into which we will continue to invest heavily. We are constantly fine-tuning our platforms to maintain optimal performance.” The growth of mobile in Europe cannot be denied and with SA organisations normally following the same trend, SA will follow the trend albeit it takes time for this movement due to the factors discussed. William Hill, a bookmaker based in the United Kingdom and listed on the London Stock Exchange reported an increase of 400% in one year after releasing their iPhone and Android app (Church-Sanders, 2012: 56)
Regulation in terms of FICA needs to be dealt with and a South African solution found and implemented. Televisions are going to begin to play a bigger role in sport betting with individuals able to place bets in play via their televisions. This will lead to a huge online swing due to accessibility for all.

4.10. CONCLUSION

In this chapter an analysis of the responses was carried out according to the identified secondary objectives. The analysis began with a discussion of the descriptive statistics of the sample population and the selection thereof. Following the selection of the population, the interview schedule was designed to explore the identified secondary objectives. A content analysis was carried out on all responses from the participants and placed in a template format for the differences and similarities between the responses to be easily identified.

The responses were broken down per question in Chapter 4 and a summary of the responses discussed. The small population size was based on the most knowledgeable and experienced individuals in the industry with over 400 years’ experience between the 10 participants in the sport betting and gambling industry in SA.

The following chapter will summarise the results, draw conclusions and provide recommendations for future research on sport betting in SA.
CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. INTRODUCTION

The purpose of this study was to analyse the state of online sport betting in SA. The primary and secondary objectives to achieve this purpose were clarified in Chapter 1 of this research document. The reason for undertaking this analysis and its importance was detailed in the literature review in Chapter 1. This literature review was expanded into Chapter 2 that explained how sport betting and online sport betting came into existence in SA, the regulation of this industry, the technological impacts, and the future. These factors played a role in the type of questions that were included in the interview schedule.

The research design and methodology were addressed in Chapter 3. This involved the research design, research sample, data capturing, data analysis, limitations and ethical considerations. During the design, the purposive sampling method was chosen in selecting a sample for the study, meaning that a specific information-rich sample of the population was chosen based on their knowledge, experience and insight into the sport betting industry. The sample was further impacted by the number of return emails and communication received.

Each interview and questionnaire was analysed individually and only the important and beneficial information extracted and grouped together.

Research cited in the literature review was included with the responses obtained where possible. Thereby either agreeing, disagreeing, or adding new value to the statements gathered in the literature review.

A content analysis was chosen to analyse the data after a pilot testing was completed. A pilot test was carried out to test if the questionnaire in the interview schedule would provide the results required.

The pilot testing involved three of the respondents, Respondent 2, Respondent 7 and Respondent 3 from the sport betting organisation Supabets. The reason for the selected respondents is because of their different areas of expertise. Respondent 2,
the General Manager of Sports Betting manages the entire business as a whole, finding new stores, the day-to-day operations and the retail market. Respondent 7, the Head of Africa Operations predominately concentrates on the retail space and the lower LSM groups. The respondents previous experience was at Voltbet (a purely online-focused sport betting organisation purchased by Sun International in 2014 and now Sunbets), while also focusing on Africa, he was involved in the online industry, marketing and higher LSM groups. Respondent 3, the National Compliance and Licencing Manager has worked in the sport betting industry for approximately 15 years. The respondents experience lies in the regulation, governance and legislation framework of sport betting and online sport betting in SA. The pilot study took approximately two hours to complete and the outcome was successful. All three respondents were comfortable with the questions asked as the questions were all industry related, concentrating on factors currently impacting the industry.

Sport has served as a form of entertainment since the first moment an individual kicked a ball to another individual. The sport industry in 2015 has transformed into a multibillion industry consisting of sport teams, sport management, sport finance, sport advertising, sport stadiums and most importantly, sport fans. Sport fans have been the catalyst in sport commercialisation where in 2015 sport stadiums are not only in charge of hosting two teams for a match, but need to provide the entire package – entertainment, food and merchandising. This has transformed sport into the thriving business industry it is today.

The transformation of sport into a money intensive, entertainment providing, professional industry has had a direct bearing on sport betting. Sport betting has taken place since the roman emperors took part in chariot races in 264 BC (Atkinson, n.d.: 4). from 264 BC to 2016 there have always been individuals willing to place a bet on an outcome of a game.

5.2. SUMMARY OF LITERATURE REVIEW

Chapter 2 provided an in-depth review of the history of sport betting and its growth into one of the biggest contributors to the gross gambling revenue in SA. Currently, horse racing does still make up the biggest portion of this revenue but its growth has been minor in line with yearly CPI, in the past 3 years while sport betting has seen
extraordinary growth year-on-year. “Sports betting rose 18.5% in 2013 compared with 4.6% growth for horse racing (PwC, 2014b: 13).

The difference between online gambling and online sport betting was defined in Chapter 1 due to the confusion currently surrounding the industry. While sport betting is legal in SA, online gambling is still illegal. Online sport betting is the process of an individual placing a bet on the outcome of a game using information gathered by the punter. The main intention is not to part the punters from their money, but rather to encourage the punters to gather as much information as they can on the sport teams, the stadium (home ground advantage), the selected team members, the coach, head-to-head statistics and the team’s current success rate and with this information, place a well-informed bet.

There are a number of factors that drive sport fans to take part in sport betting – for the excitement, the entertainment value and/or for the economic gain. It is all dependent on what the sport fan is looking to gain from sport and from sport betting. The entertainment and media industry in SA was estimated to be worth R144 billion in 2015, and should grow to R159 billion in 2016 (PwC, 2014a: 18). The possibilities in the entertainment industry in SA are endless due to the need by individuals to always be entertained.

The growth of sport betting can be attributed to a number of factors, namely regulation and legislation, technological advancements, mobile devices, broadband and the various markets on offer which were all discussed in detail in Chapter 2.

The regulation of the industry is a complicated one, unlike elsewhere in the world. All gambling organisations (casinos and bookmakers) fall under the National Gambling Act. The National Gambling Act oversees the operation and regulation of the nine different Gambling Boards in SA, one for each province. Each Provincial Gambling Board has its own framework and regulations that govern it. This implies that there is not one set of rules, but multiple as one moves from province to province. The Western Cape holds the most licences in SA with 158, this is followed by Gauteng with 91 and Kwazulu-Natal with 78, as seen in Figure 2.12. There are no taxes or levies payable on any sport betting in SA.
The horse racing industry is self-regulated by the National Horse racing Authority (NHA) of SA. The NHA is responsible for all licencing of horse trainers, owners and monitors all race competitions. All bookmakers who accept bets on horse racing and the likes of Phumelela and Gold Circle who own all of the tracks in SA and host all horse racing competitions in SA, are liable to pay a 3% tax/levy on the total revenue generated from the horse industry. Those bookmakers who offer sport betting and horse racing betting will only pay tax/levies on the total revenue of their horse racing book.

The decline of the horse racing industry in SA led to Phumelela purchasing shares with sport betting in 2009. This allowed them to diversify and generate income from another industry, in turn funding the horse racing industry.

The number of sport betting organisations in SA has seen remarkable growth within the past 15 years, as individuals have access to over 30 different bookmakers on any given day. An individual can choose between a land-based store or an online site to place their bet, there are no limitations on accessibility. One is able to place a bet anywhere anytime. The literature review in Chapter 2 focused mainly on online sport organisations and their operation, but could not ignore land-based stores entirely. The two different environments have access to different individuals and LSM groups. These different individuals and LSM groups also differ in their betting markets. The lower LSM groups are more interested in soccer betting where the higher LSM and those with access to online and Internet tend to spread their betting between multiple sport markets – rugby, soccer, tennis, Formula 1 and cricket. It is all dependant on what sport is being played and what markets are looking more favourable.

The different types of sport bets that can be placed can become very confusing to the normal man on the street. One may start off with only selecting a win or lose bet – mostly seen in soccer, but this is only the beginning. The different types of bets were discussed 2.2.

The gambling industry was put under immense pressure in 2003 with the introduction of FICA. The introduction of this act meant that no individuals were able to place a bet without providing their FICA documents – a copy of their ID and a proof of residence. The FIC Act put up a giant barrier overnight as individuals could no longer walk into a store or open an account online and immediately place a bet, one had to hand over a
copy of these documents in a land-based store or email their documents first. This was a huge deterrent as not many individuals walk around with this kind of documentation on their person. All gambling organisations are to keep this documentation for a specified time period.

The technological advancements in SA have all had an impact on the sport betting industry. The television industry in SA has been dominated by MultiChoice since 1995 and are responsible for the numerous sporting channels one can watch through DStv. There are a number of new offerings in the pipeline that will all benefit the consumer, fuelling their entertainment desires. The television industry has a direct impact on the live/in-play/in-running betting market that has seen growth in the past five years. In-play betting allows individuals to place bets while a sporting game is on. This type of betting is getting more and more popular.

The Internet market within SA has seen growth with almost all individuals having access to the Internet. “Internet access revenues are expected to more than double by 2019, widening the divide between consumer spend on Internet access and other media. The Internet access market in South Africa will rise rapidly from R32.5 billion in 2014 to R76.2 billion in 2019, far ahead of any other consumer spend category, making it the major contributor to South Africa’s total entertainment and media revenues” (PwC, 2015: 39).

The growth of the mobile market in SA is driven by its low cost and affordability by all consumers. Individuals have the option of prepaid and contract packages with their service provider. The mobile industry will see more growth year-on-year as data is made more affordable and faster Internet access made available.

An interconnected world is the goal of the future as identified by the UN, Information and Communication Technologies, this is detailed in Figure 2.22, the Connect 2020 Goals. These goals focus on the creating of an interconnected world by bridging the gap of Internet access between developed and developing countries. Internet access for all individuals has a direct impact on online sport betting and accessibility for all.

The discussed growth factors and current industry as a whole led to the interview schedule and determined the questions in the interview schedule that would agree, disagree or further confirm the literature review.
5.3. SUMMARY OF THE FINDINGS AND FUTURE RECOMMENDATIONS

The online sport betting industry has seen growth over the past 15 years according to the presented literature and the respondents. This was discussed in Chapter 2 of the literature review by focusing on the secondary objectives.

The secondary objectives as identified in Chapter 1 and analysed in Chapter 4, will be summarised and conclusions drawn in this section.

5.3.1. The legalities and regulation of online sport betting in SA

The current system of different rules and regulations, application processes, advertising regulations and structure has more of a negative impact than a positive impact on the sport betting industry. The current FIC Act is a difficult obstacle in the sport betting industry, one which all participants agree that a solution needs to be found.

A recommendation to overcome the current FICA obstacle facing the industry is for one standard criteria to be used by for all SA financial institutions - banks, investment agencies and gambling organisations. Supabets are in talks with the FIC agency to find an easier and faster way of carrying out the FICA process. The solution is currently confidential, but will change the way of the industry on a whole and destroy the current barrier it is creating. Thus one will be able to open an account, transfer money and place a bet immediately.

5.3.2. The organisations currently involved and dominating the online sport betting industry in SA

There is no doubt that there are a number of sport betting organisations currently dominating the industry. These organisations were shown in Table 4.2. An interesting fact is that most of the organisations dominating the industry are not only online, but rather offer both a land-based shop and are online.

One of the biggest factors hindering the growth of the online sport betting industry is that all organisations are trying to capture exactly the same individual/customer. In terms of sport betting in general, the pool of customers interested in soccer and soccer
betting is a wide but the number of these individuals who have access to online sport betting and betting with a debit or credit card is minimal. It is for this reason that an offering of both a land-based and an online service is more successful for the organisation as a whole. The organisation is able to benefit from both services, rather than trying to benefit from only online.

The future of the sport betting industry is however definitely online. Once factors such as access to Internet for all, mobile data cost and FICA are overcome, there will be no stopping online and the SA market will follow the European market and become all online with land-based shops falling away.

5.3.3. The growth of the online sport betting industry in SA

The growth of the online sport betting industry has definitely been seen in all organisations, by all participants. It is confirmed that the growth is in sport betting and not horse racing, as identified in the literature review. The accessibility to smartphones and technology has transformed the industry.

A future opportunity to introduce a system for individuals to transfer money into their betting account that does not involve a credit card is a possibility. This system will allow individuals to rather make use of airtime or an SMS system from an individual’s bank account to their betting account to place a bet. Should a system be set up and FICA overcome, there will be no difficulty for an individual to place a bet, meaning instant gratification. By doing so, one will be developing a product in South Africa for South Africans.

The growth of the industry as a whole does tie in directly with the organisations currently dominating the industry which all offer a land-based and online service. This is the most ideal and most beneficial model for a sport betting organisation as supported by literature in Chapter 2.

5.3.4. Technological advancements within the sport betting industry

Technological advancements in Internet, broadband and the mobile industry will keep on positively impacting the SA sport betting industry. The more ways one is able to access a website or mobile app, the more traffic organisations will receive, the more accounts will be opened, and the more bets will be placed.
As identified by PwC (2015: 49) individuals are already making use of their mobile devices to access the internet more than any other medium. As more individuals use their mobile devices to carry out tasks in their everyday lives so will the smartphone industry experience growth. As the smartphone industry grows so does the opportunities for advertising, local app development, content distribution and e-commerce which in turn drives further demand for smartphones and mobile broadband resulting in a virtuous circle where all providers benefit. New technologies such as placing a bet via a television set will transform the industry completely. Almost every individual in SA has a television or a friend who has one, meaning that one will have access to sport betting no matter where one is.

Technology has also allowed all individuals access to information. Information is vital to the sport betting industry as it allows individuals to place knowledgeable, thought-through bets that will provide a better chance of winning.

### 5.3.5. Information and knowledge of the sport betting industry

One of the most important findings during the literature review, is the lack of information available on the sport betting industry. The sport betting industry can become very confusing very quickly, and because of this, sport betting organisations need to improve their websites to offer easy, user-friendly information to beginners as well as experienced bettors. One may even begin with only offering a first-time bettor a selected number of bet types until the individual is comfortable with placing a bet. From here more types of bets can be introduced and by doing so, building knowledge of the different betting types.

In November 2015, A UK company launched a social network for sport bettors called WantMyBet? WanyMyBet allows individuals to search the latest bets made by individuals who have shared their bets on soccer games. The social network also provides the latest odds being offered by four different sport betting platforms which allow an individual to place a bet at the click of a button, should the odds be favourable. Such a website will work well in SA as anyone can register on the website and analyse what other individuals are betting on, with who, and why. This also allows interaction between bettors which is the main objective of sport and sport betting in general.
This will also allow organisations to communicate with their target audience directly instead of trying to find different avenues to connect with them.

5.3.6. The ‘perceived to be’ customers of an online sport betting organisation from an organisation’s perspective

The current customer of an online sport betting organisation is identified to be mostly male, from low, middle and higher LSM groups. Currently, the mobile and online segments are dominated by the medium to higher LSM groups, but this will change overtime as new technologies are launched.

All organisations tend to keep this type of information internal because of the small target audience they are all fighting for. A further study into these individuals could be interesting and open up many different avenues for all organisations.

5.3.7. Recommendations for the future

The sport betting industry in SA is a very interesting one in that there are so many different aspects that need to be known and analysed before one can really start to understand the industry. The individuals who place their first bet and win will definitely be looking to place their second bet. The individuals who places their first bet and lose will be intrigued as to why they lost and what could they have done differently. These questions will all lead to more research and investigation. Currently, the lack of information is having more of a negative impact on the industry

The industry as a whole requires an information portal that allows individuals to understand sport betting and online sport betting, no matter of the LSM group, and understand sport betting as a whole. The individual will be informed, which will in turn benefit organisations with customer retention. For the industry to benefit as a group this will need to be undertaken on a provincial level by a Gambling Board which speaks directly to having one voice and one set criteria for all provinces or as an organisation that could benefit from providing such information to new and experienced bettors.

A thorough investigation into the current customer of a sport betting organisation and what drives these individuals to place a bet, the impacts of marketing and communication on these individuals, website layouts, available markets, loyalty reward programmes and other aspects will be beneficial for the industry as a whole.
The investigation will provide knowledge encompassing all LSM groups and allow organisations to speak directly to future potential customers, rather than sending out general messages that realise no return.

Currently, the most beneficial business structure for a sport betting organisation is a combination of land-based and online betting. This structure allows an organisation to benefit from all LSM groups instead of only low, middle or high. The online sport betting industry is growing but there is no doubt that the land-based service is lending a helping hand in the turnover. Once all technological aspects are ironed out, the online market will completely change.

The analysis of the online sport betting industry is SA has given a broad overview of how the sport betting industry in SA has changed since its legalisation in 1996. From 1996 to 2015 the sport betting industry has experienced many regulation changes, technological improvements, target market shifts and the mobile revolution. Any individual interested in sport betting as a profession, as a business tool, as a marketing tool, or as an educational tool, can use this analysis as a starting point, to be able to gain valuable information from influential individuals in the sport betting industry. There are many more avenues that need to be investigated and analysed, such as the exact profile of a sport betting customer, the regulation within the nine provinces and their own procedures, and a solution to overcome the challenges facing mobile sport betting. Mobile betting is the way of the future, now SA needs to catch up to the rest of the world.
REFERENCES


NGB.org.za. (2006). Notice from the National Gambling Board. Available at:


### Appendix A – Questionnaire

<table>
<thead>
<tr>
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<th>Question</th>
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<tbody>
<tr>
<td>1</td>
<td>How did you get involved in the online sports betting industry in South Africa?</td>
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<tr>
<td>2</td>
<td>What is your role in your current organisation?</td>
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<tr>
<td>3</td>
<td>How has the online sport betting industry grown within South Africa in the past 15 years? (Number of people betting, number of organisations, legalities, marketing, money spent, sponsorships)?</td>
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<tr>
<td>4</td>
<td>What does the current online sport betting industry look like? Who are the major players? Who is making the most impact?</td>
</tr>
<tr>
<td>5</td>
<td>Is there still room to grow in South Africa? If so, in what ways? What factors are impacting this growth?</td>
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<tr>
<td>6</td>
<td>Technology has had the biggest impact on online sport betting i.e. access to computers, mobile devices, and consumers’ ability to be active and online from anywhere. How do you view technology and its impact on the online sport betting industry? In your opinion, what is next within this arena?</td>
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<tr>
<td>7</td>
<td>Do you currently have a mobile online sport betting platform (mobile application (app))? What is the split of desktop vs mobile app users? Do you believe this will increase year-to-year?</td>
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<td>8</td>
<td>In terms of the legal framework in SA and the various Gambling Boards within each province, in your opinion, are these organisations run and monitored well? What is the standard of professionalism? Do they hamper or help the industry?</td>
</tr>
<tr>
<td>9</td>
<td>In your opinion, is online or land based or a combination of both the best business model currently in the industry?</td>
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<tr>
<td>10</td>
<td>In your opinion, what is the biggest difference between online sport betting in SA and the rest of the world?</td>
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<tr>
<td>11</td>
<td>Online sport betting partnership with sport teams in SA is not as popular as compared to England, why do you think that is? Will this sphere of the industry see growth?</td>
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<tr>
<td>12</td>
<td>In your opinion, what are the characteristics of the current sport punter – age, gender, LSM?</td>
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<tr>
<td>13</td>
<td>Do you believe that potential customers are receiving enough information and knowledge on sports betting and how to bet?</td>
</tr>
<tr>
<td>14</td>
<td>In your opinion, what is the future of online sport betting in South Africa?</td>
</tr>
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</table>
Andrew Vorster
We bought our business in 1994 which was actually run by Mulder who was a fairly successful owner but was under pressure. So we are actually the first South African on line bookmaker. A week later we sold the business and went to Free State Gambling Board and doing the same and about the other business. We put in the business and the Betxchange was very strong, but the rest of it, the other players in the retail, the other guys, lots of them are doing very, very well.

Gary Lord
Before I started with Voltbet, and my role with them was to get them into the market. I was invited by the first person to open a sports betting shop, and I watched the transition of1998. I was employed by the M-Net Group of companies to research interactive channels. I have been involved in the industry ever since.

John Smith
In 2000 people were hesitant to purchase anything on the internet so online sports betting also started slowly. It was always allowed but gambling not. It has grown over the last 15 years on a steady basis. The market is completely different from 15 years ago. Prior to 2010, betting on sport (in particular Soccer) has taken huge strides forward.

Graeme Pemberton
Gold Circle is an online operator and quite naturally embraced the growing trendiness from customers buying business on line. We have brick and mortar outlets. There is a lot of demand and we are considering to do the same for horse racing and sports pool betting. We are still working on the Mobile platform as there are regulatory issues which need to be ironed out.

Gregg Mendy
I started with Voltbet, and my role was to tell them to go online. I believe this would be a great improvement to the bookmaking industry by allowing bookmakers to hedge exposure online as a new development for the bookmakers' exchanges.

 Leighudun
I had a friend who worked for Hollywood bets as a starter. Started working in the trading office in 1998 and really liked the science behind it. Dealing with sports and people doesn't harm.

Marjory van Greenhaze
We were here and the world went on-line so we had to do it. We were a public listed company and I have a financial document for you. It's a big competition in this public demand. I can tell you that the industry has grown but we don't put our number of customers, but there and don't put the actual parts on interactive channels.

Andres Handregt
We were employed by the M-Net Group of companies to research and launch Spread Betting on Sports in South Africa. In so doing, we launched emerging markets and now M-Net Group in areas like America (Las Vegas) and Australia.

Women, Taxonomy
I was lucky enough to foresee the future growth and innovation in sports betting at the age of 24 with my experience and savings, managed to acquire the necessary knowledge (a gambling licence and years in terms of competitive online software, tops adds and a variety of sports betting sites for customer service and marketing in place).

Annexes
Van Hemmen
I started off working for the Gambling Gaming Board and operated in horse racing. A week later I sold the business and went to the Free State Gambling Board and doing the same and about the other business. I sold the business to the IUPM "Limited Pay-out Machines". Then I joined the Packers Association and then retired. I have always been involved more in the legal side of the business and then completed the Acts.

Gerrit van der Westhuizen
I was invited by the first person to open a sports betting shop, and I watched the transition of 1998. I was employed by the M-Net Group of companies to research interactive channels. I have been involved in the industry ever since.

Janine Smith
I would at the JSE in the early 90s and watched the transition of 1998. I was lucky enough to foresee the future growth and revolution in America (Las Vegas) and Australia.

Anna-Marie Vorster
We bought our business in 1994 which was actually run by Mulder who was a fairly successful owner but was under pressure. So we are actually the first South African on line bookmaker. A week later we sold the business and went to Free State Gambling Board and doing the same and about the other business. We put in the business and the Betxchange was very strong, but the rest of it, the other players in the retail, the other guys, lots of them are doing very, very well.

Appendix B – Transcription template

**Question 1:** What was your role with your first sports betting company?  
**Answer:** I started with Voltbet, and my role with them was to get them into the market.

**Question 2:** What was the transition like when you first started betting online?  
**Answer:** I started working in the trading office in 1998 and really liked the science behind it. Dealing with sports and people doesn't harm.

**Question 3:** How has the sports betting market changed since you started?  
**Answer:** The game changed in the industry as far as retail presence has always been constant. There are still millions of people that don't understand sports betting and if they can be exposed to something online they will be more familiar with it. The growth since 2010 has been phenomenal. In 2010, of the sport done by bookmakers was manual. Now, there is a labour intensive and opened bookmakers up to a lot of errors. In full games and markets, opened on these games were very limited. In 2010, we had about 850 match winner match versus 2000 now.

**Question 4:** What are some of the biggest changes in the industry over the last 15 years?  
**Answer:** The market is completely different from 15 years ago. 15 Years ago horse racing would have been the dominant revenue stream but now sports betting in betting. Also, fixed odds betting on numbers and lots has increased dramatically. In 2000 people were hesitant to purchase anything on the internet so online sports betting also started slowly. It was always allowed but gambling not. It has grown over the last 15 years on a steady basis.

**Question 5:** What challenges do you think the industry will face in the future?  
**Answer:** Yes there is still room for growth. We can't comment about the past 15 years. But the growth since 2010 has been phenomenal. In 2010, of the sport done by bookmakers was manual. Now, there is a labour intensive and opened bookmakers up to a lot of errors. In full games and markets, opened on these games were very limited. In 2010, we had about 850 match winner match versus 2000 now.
Appendix C: Introductory email for interview schedule

Good day

My name is Maxine Nienaber and I am a student at the University of Johannesburg currently completing my Master’s in Business Management. My final dissertation concentrates on the online sport betting industry in SA and the dominant players within this industry. I have identified Peermont as one of the leading Casinos in South Africa and I am hoping you are able to shed some light on the industry itself and how sport betting and online sport betting have impacted the industry. Below is an introduction to my study, followed by the questions I am trying to answer through this study.

There is an exorbitant amount of information available via the Internet to online sport bettors to be able to place good, well thought-through bets. "The internet teams with sports information services, sports betting guides, score lines, and fixture lists that are in the public domain. Furthermore, blogs, chats and forums have proliferated that are devoted to sports, offerings sport betting prediction and tips and even odds comparison tools. It means that all the information necessary for well-informed betting decisions is at the reach of the consumers hands" (Church-Sanders, 2013: xii). Although there is ample information available online on placing a bet and the different types of bets on offer, there is limited information available on the state of online sport betting in South Africa (SA) and the growth of the industry.

To be able to understand what sports betting is and to appreciate how far SA has developed within this very controversial industry, it is important to understand what it is one is referring to, the organisations and legalities that define the industry, and what the industry currently looks like.

To understand this, this study will provide an analysis into the current state of the South African online sports betting industry concentrating on:

a) Investigate the history and current state of online sport betting in SA
b) Analyse the legalities and regulation of online sport betting in SA
c) Identify the organisations currently involved and dominating the online sport betting industry in SA
d) Explore the growth of the online sport betting industry in SA
e) Consider the technological advancements within the industry
f) Identify the ‘perceived to be’ customers of an online sport betting organisation from an organisation’s perspective.

This study will provide the necessary knowledge for any start-up organisations or a data collection tool for any potential customer of an online sports betting organisation.

Although this study is looking at the online industry, specifically the interviews that have been carried out to date have shown that a combination of an online and retail business model is the ideal. The discussion will look at the following questions as listed on the next page.

I would appreciate the opportunity to be able to meet and discuss the above factors that have had, or are busy impacting the industry, or if it would be easier to answer the questions via email that would be a great help too.

I look forward to your reply.

Kind regards

Maxine