

Transformation in South African Rugby: ensuring financial sustainability

Dissertation by

Eduard Coetzee

(CTZEDU001)

Submitted in fulfilment of the requirements for the degree

MPhil Inclusive Innovation

Graduate School of Business

University of Cape Town

Supervisor: Prof Martin Hall

December 2016

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

UNIVERSITY OF CAPE TOWN
GRADUATE SCHOOL OF BUSINESS

DECLARATION

- ❖ I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is your own.
- ❖ I have used the APA referencing convention for citation and referencing. Each significant contribution and quotation from the works of other people has been attributed, cited and referenced.
- ❖ I certify that this submission is all my own work.
- ❖ I have not allowed and will not allow anyone to copy this essay with the intention of passing it off as his or her own work.
- ❖ I have run my paper through a plagiarism check.

❖ Signature

| |
|---------------------|
| Signed by candidate |
|---------------------|

Date: 10 December 2016

TABLE OF CONTENTS

| | |
|--|------------|
| Declaration | i |
| ABSTRACT | v |
| GLOSSARY OF TERMS AND ABBREVIATIONS | vii |
| TABLE OF FIGURES | ix |
| LIST OF TABLES | ix |
| RACE TERMINOLOGY | x |
| Acknowledgement | xi |
| Chapter 1: Introduction | 1 |
| 1.2. Chronological timeline of important events in the history of South African rugby | 3 |
| 1.2.1 Broad history of rugby in South Africa from 1823 through until 1990 | 5 |
| 1.2.2 Rugby in Coloured communities | 6 |
| 1.2.3 Rugby in Black communities | 8 |
| 1.3 Rugby in contemporary South Africa | 9 |
| 1.4 Professionalism: after 1996 | 13 |
| 1.4.1 ‘Shamateurism’ | 13 |
| 1.5 Problem statement | 15 |
| 1.5.1. Rugby as a business | 17 |
| 1.5.2. Transformation in rugby | 18 |
| 1.5.3. Players leaving South Africa to play overseas | 21 |
| 1.5.4 Celebrity management in rugby | 22 |
| CHAPTER 2: LITERATURE REVIEW | 25 |
| 2.1. Introduction | 25 |
| 2.2. Transformation | 29 |
| 2.3. Rugby player exodus | 31 |
| 2.4. Rugby as a business | 32 |
| 2.5. Overview | 33 |
| CHAPTER 3: METHODOLOGY | 35 |
| 3.1. Introduction | 35 |
| 3.2. Research section one: The current situation | 36 |
| 3.3. Theoretical framework | 37 |
| 3.4 Research second section: the business plan | 38 |
| 3.5. Data Analysis | 39 |
| CHAPTER 4: THE SHARKS | 41 |
| 4.1 Introduction to The Sharks | 41 |
| 4.1.1 Shareholders | 42 |
| 4.1.2 Sponsors | 44 |
| 4.1.3 Employees | 45 |

| | |
|--|-----------|
| 4.1.4 Players..... | 46 |
| 4.1.5 Inter Companies..... | 47 |
| 4.1.6 Season ticket-holders | 48 |
| 4.1.7 Suite-holders | 48 |
| 4.1.8 Supporters | 49 |
| CHAPTER 5: BUSINESS PLAN | 52 |
| 5.1. Introduction | 52 |
| 5.2. Elements of the business plan..... | 55 |
| 5.2.1. Revenue streams..... | 56 |
| 5.2.1.2 <i>Suites</i> | 57 |
| 5.2.1.3 <i>Test Match</i> | 58 |
| 5.2.2 Three-year plan..... | 60 |
| 5.2.2.1 <i>Risk and Compliance</i> | 60 |
| 5.2.2.2. <i>Stadium Eventing</i> | 62 |
| 5.2.2.3. <i>Monetizing social media and fan engagement</i> | 63 |
| 5.2.2.5. <i>Development and transformation</i> | 65 |
| Development funding..... | 67 |
| Multi-tiered asset based development program | 69 |
| 5.2.2.6 Financial Plan..... | 70 |
| 5.2.2.7 <i>Revenue projection model</i> | 73 |
| International content | 74 |
| Team performance | 75 |
| Brand Loyalty..... | 79 |
| Determining the budget for 2017 using the projection model | 80 |
| 5.2.2.8 <i>Current reality business plan</i> | 83 |
| 5.2.3. Financial Plan..... | 84 |
| 5.2.4. Balance Sheet Recapitalization | 86 |
| 5.2.5. Strategy | 86 |
| 6.1 Transformation: What lies ahead | 88 |
| 6.2. The development solution for rugby in South Africa..... | 92 |
| 6.2.1 The game plan for transformation in South African rugby | 93 |
| 6.2.2 Proposed structure..... | 94 |
| <i>Figure 11: Three-tier development program</i> | 95 |
| 6.3 Player retention..... | 97 |
| 6.4. Financial Health of rugby as a business | 101 |
| 6.4.1. Southern Hemisphere | 103 |
| 6.4.2. Northern Hemisphere | 106 |
| 7.1 Reflections on research and areas where further research is required | 111 |
| 7.1.1 Transformation in rugby | 111 |
| 7.1.2 Rugby as a business..... | 111 |
| 7.1.3 Players leaving South Africa to play overseas | 112 |
| 7.2. Policy recommendation for rugby in South Africa | 112 |
| 7.2.1 Responsibility for transformation to be moved to the commercial company..... | 112 |

| | |
|--|------------|
| 7.2.2 Change of shareholding of professional teams in South Africa..... | 113 |
| 7.2.3 Selecting only players based in South Africa for the national team | 114 |
| 7.3 Final Thoughts | 115 |
| 7.3.1 Need for change..... | 115 |
| REFERENCES | 123 |

ABSTRACT

Consumer behavior has changed in recent times. All businesses – and especially sport – need to evolve with the times. The aim of this paper is to research how it will be possible to develop South African rugby franchises into inclusive and successful business models. This study looks at the current financial business models for rugby that are prevalent in South Africa. I will use the Sharks (Pty) Ltd as the case study for the research. The findings will then be compared to similar professional rugby franchises in overseas countries.

This will be important as South Africa is a unique country with unique challenges. These challenges will need to be fully understood before they can be successfully addressed. It is important to understand the revenue streams within sport generally and rugby in particular. The transformation and development of rugby in South Africa will be the most important part of the research. To ensure that rugby is inclusive and successful, we need a healthy business with good values and a strong vision of a unified rainbow sporting nation. The integrity of the current structures must be considered. Strengths and weaknesses must be identified and a sustainable model needs to be developed.

The study was undertaken with sensitivity and respect towards all parties involved. It does not aim to single out any specific racial or cultural group in South Africa. The sole purpose of this research, and its ultimate goal, is to create a sustainable inclusive business that will embrace all people living in the rainbow nation.

I conducted an extensive literature review that focused on three areas, which are: rugby as a business; player exodus; and transformation in rugby. In the study, I used a methodology that combined deductive and inductive research strategies. The initial part of the research was primarily a deductive, quantitative research strategy. This was an analysis of the past and present state of rugby in relation to business, transformation and player retention. The second thrust of the research shifted to the development and testing of a hypothesis for a more inclusive and sustainable model than that tested above. To do this, I used the inductive approach, underpinned by qualitative data derived from interviews, empirical observations and relevant textual material.

The study is significant as it gives a deeper understanding of the relationship between professional and amateur rugby in South Africa, understanding the history of rugby and what will be required to ensure that rugby becomes an inclusive sport. It provides a framework for greater synergy between the professional and the amateur divisions of rugby in South Africa to develop proactive policies which will allow for inclusivity in South African rugby.

GLOSSARY OF TERMS AND ABBREVIATIONS

| | |
|---------|--|
| ARU | Australian Rugby Union |
| BEE | Black Economic Empowerment |
| BBBEE | Broad-Based Black Economic Empowerment Act |
| CAWI | Computer-Assisted Web Interviewing |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COO | Chief Operations Officer |
| CSI | Corporate Social Investment |
| CSRU | City and Suburban Rugby Union |
| DNACG | Direction Nationale d'Aide et de Controle de Gestion |
| DRSU | Durban Rugby Sub Union |
| EPCR | European Professional Club Rugby |
| FV | Future Value |
| GWCRFU | Griqualand West Colonial Rugby Football Union |
| I/YR | Interest Per Year |
| IRB | International Rugby Board |
| KPI | Key Performance Indicators |
| KZN | Kwa Zulu Natal |
| KZNRU | Kwa Zulu Natal Rugby Union |
| LNR | Ligue Nationale de Rugby |
| LSM | Living Standards Measure |
| MRSU | Midlands Rugby Sub Union |
| N | Duration |
| NKZNRSU | Northern Kwa Zulu Natal Rugby Sub Union |
| NPO | Non-Profit Organization |
| NZRFU | New Zealand Rugby Football Union |
| MEC | Member of the Executive Council |
| OPSCO | Operations Committee |
| PDA | Previously Disadvantaged Areas |
| PDP | Player Development Program |
| PV | Present Value |
| RCT | Rugby Club Toulonnais |
| RFU | Rugby Football Union |
| ROI | Return of Investment |
| RWC | Rugby World Cup |
| SA | South Africa |
| SABRB | South African Bantu Rugby Board |
| SACRB | South African Coloured Rugby Football Board |
| SARA | South African Rugby Association |

| | |
|---------|---|
| SARB | South African Rugby Board |
| SARFU | South African Rugby Football Union |
| SARU | South African Rugby Union |
| SKZNRSU | Southern Kwa Zulu Natal Rugby Sub Union |
| SRSA | Department of Sport and Recreation South Africa |
| TOR | Terms of Reference |
| TSA | The Sharks Academy |
| TSK | The Sharks Kitchen |
| UK | United Kingdom |
| WPCRFU | Western Province Coloured Rugby Union |
| WPRFU | Western Province Rugby Football Union |
| ZRSU | Zululand Rugby Sub Union |

TABLE OF FIGURES

| | |
|---|----|
| <i>Figure 1: Venn Diagram Literature Review</i> | 25 |
| <i>Figure 2: Literature Review, Sub Areas</i> | 27 |
| <i>Figure 3: Literature Review - Article Vs Area</i> | 27 |
| <i>Figure 4: Literature Review, Impact 1</i> | 28 |
| <i>Figure 5: Literature Review, Impact 2</i> | 28 |
| <i>Figure 6: Research Deductive</i> | 36 |
| <i>Figure 7: Research Inductive</i> | 38 |
| <i>Figure 8: Risk Rating Scale</i> | 60 |
| <i>Figure 9: Correlation Between Season Tickets Sales And Score For International Content</i> . | 77 |
| <i>Figure 10: Correlation Between Season Tickets And Total Score</i> | 79 |
| <i>Figure 11: Three-Tier Development Program</i> | 95 |

LIST OF TABLES

| | |
|--|-----|
| <i>Table 1: Sponsorship revenue</i> | 57 |
| <i>Table 2: Suite revenue</i> | 58 |
| <i>Table 3: Season ticket revenue</i> | 59 |
| <i>Table 4: Summary of laws and regulations</i> | 62 |
| <i>Table 5: Revenue from social media</i> | 64 |
| <i>Table 6: State model and market model</i> | 71 |
| <i>Table 7: Season tickets sold</i> | 73 |
| <i>Table 9: International matches played at stadium</i> | 75 |
| <i>Table 10: Sharks performance key</i> | 75 |
| <i>Table 11: Sharks team performance in given season</i> | 76 |
| <i>Table 12: Combined number</i> | 77 |
| <i>Table 13: Brand loyalty</i> | 78 |
| <i>Table 14: Factors influencing sales</i> | 80 |
| <i>Table 15: Integrating brand loyalty</i> | 81 |
| <i>Table 16: Application of model on revenue</i> | 81 |
| <i>Table 17: Financial summary 2008 -2016</i> | 84 |
| <i>Table 18: Proposed percentage spend linked to recurring revenue</i> | 85 |
| <i>Table 20: Projected revenue 2016 - 2019 broken down</i> | 86 |
| <i>Table 21: Players based overseas</i> | 98 |
| <i>Table 22: Number of rugby players in southern hemisphere</i> | 100 |

RACE TERMINOLOGY

As per the Broad-Based Black Economic Empowerment Act:

“black people” means African, Coloured or Indian persons who are natural persons and:

- 1) are citizens of the Republic of South Africa by birth or by descent; or
- 2) are citizens of the Republic of South Africa by naturalization before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or
- 3) became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, but for the Apartheid policy that had been in place prior to that date would have been entitled to acquire citizenship by naturalization prior to that date (Government of South Africa, 2014).

“white people” will be all people with origins in Europe, Middle East or North Africa

Due to the nature of the research done in this paper and to correctly explain the history of rugby in South Africa, I will use the terms “coloured” as well as “black”.

The terms to describe different races in this paper is in accordance with the above-mentioned Act, and is necessary to include in this paper in order to understand the South African racial context described within this paper.

ACKNOWLEDGEMENT

Thank God for His grace and blessing to be able to experience this journey.

I experienced a huge range of emotions during the journey of self-discovery that this MPhil. study has taken me on. Rugby has been a big part of my life. It has provided me with great opportunities and has given me and my family amazing gifts in the form of life experiences. The UCT GSB gave me the platform through the MPhil. programme to bring rugby and inclusive innovation together, and for that I will be forever grateful.

I want to thank my wife, Seren, my rock who supported me through every stage of this study and for never keeping count of the sacrifices made to allow me to pursue this passion of mine. My three little boys, Daniel, Benjamin and Christian, for having to put up with dad often working late and being away to attend the course modules.

To friends and family: I've missed you. I'm looking forward to catching up.

To my work colleagues at The Sharks, and the Sharks (Pty) Ltd board members, for supporting me and for the company financing the study. Without your support this journey wouldn't have been possible.

To Prof Mervyn McMurtry, for being my sounding board and fulfilling the unofficial role of co-supervisor at home in Durban. Both your academic acumen and patience were much appreciated.

To Prof Martin Hall, who guided me with grace and expertise through my study. I have felt supported and in safe hands throughout, and have been extremely privileged to have had such a quality supervisor accompanying me during this MPhil. study.

To my MPhil. classmates: each and every one has had a lasting impact on my life. Spending this quality time together refined my personal views and instilled in me an optimism for the future of inclusive innovation the African continent.

During the first module, Walter Baets told us that "you don't know what you don't know". As I reach the conclusion of this journey, I must agree. I will add that although sometimes it felt as though it would never end, and I have still an immense amount of learning to do, I've loved every minute. I still don't know what I don't know, but I know that I am not the same person I

was when I started this journey. I believe that my levels of consciousness have increased and I am better equipped to positively impact my sphere of influence. The satisfaction of reaching that conclusion is immense.

CHAPTER 1: INTRODUCTION

1.1 Introduction to rugby: background to research

South African rugby teams are respected and feared throughout the rugby-playing world. Since re-entry into international sport in 1994, the national team, the Springboks, has won the World Cup on two occasions: first in 1995 (Pienaar Francois with Griffiths Edward, 1999) and again in 2007 (Greenaway, 2009). Sport, and more specifically rugby, has historically been a fundamental part of South African culture. It represents a microcosm of South African society (Department of Sport and Recreation, 2013). It has had an undeniable socio-political impact from community level through to national and international competitions.

With such high viewer and participant interest levels, and a reach that far surpasses most organizations (Repucom, 2015a), rugby has necessarily undergone transformation in recent decades, from a recreational activity into a significant business with high revenue. In 2008 the South African Rugby Union's (SARU) annual financial statements showed revenue of R438m, increasing to R1 227bn budgeted for 2016 (SARU, 2015).

Rugby unions and franchises have evolved into large commercial businesses, with a professional and corporate focus. Coupled with the growing international contracts for local rugby players, professional rugby franchises are under pressure to be profitable and ultimately sustainable. As an example, in an article posted on News24 on 20 March 2016, it was reported that the Eastern Province Rugby Union is facing liquidation for owing staff and players around R18m in unpaid wages (News24, 2016).

The financial pressure that professional rugby teams find themselves under is not limited to South African franchises. Saracens, the 2016/2017 European Cup champion, has the largest debt of any rugby team in world rugby. An article in the UK newspaper the *Daily Mail* mentions this figure as exceeding £45m. This makes Saracens the most indebted club in rugby history (Harris, 2016).

The French rugby league, known as the Ligue Nationale de Rugby (LNR), created a financial regulating body for the sport, known as the Direction Nationale d'Aide et de Controle de Gestion (DNACG). The DNACG controls the finances of the professional game in France. If

a team is found guilty of non-compliance with the DNACG regulations, it can be financially relegated to a lower division. In the book *Confessions of a Rugby Mercenary*, the author recalls that between 2002 and 2008 Toulon, Colomiers, Begles-Bordeaux and Grenoble were regulated due to financial reasons (Daniell, 2009).

In this study I will investigate and identify the impact of perceived threats to rugby as a business.

The main concerns and threats to the current rugby franchises include, first, the fact that rugby's historical supporter base is shrinking. Research data gathered on a year-to-year basis shows that the number of white people following rugby has declined from 78% of the total white population in 2003 to 64% in 2013 (BMI, 2014). This decline in white support is seen as a threat to rugby, in part because rugby is still seen as a whites-only sport.

Through racial segregation enforced by the white South African government between 1948 and 1994 (Heere et al., 2013), other races were supposedly excluded from participating in sport during this period. This perception will have to be changed for rugby to be seen as an inclusive South African sport. Second, the robust international market, fueled by strong European and Asian currencies, attracts increasing numbers of talented players to foreign clubs. In 2009, 27 Springboks (previous and current) were based overseas, while in 2014 46 Springboks (previous and current) were playing abroad (Steyn, 2014).

While we are losing many Springboks to European clubs and battling to keep the best players in South Africa (Burnard, 2015), it is also important to note that we are losing other rugby talent to overseas clubs. In 2013, 233 South African players were based at overseas clubs (Steyn, 2014). When talking about the financial pressures facing South African rugby and the number of high profile players leaving South Africa to play abroad, the Chairman of The Sharks (Pty) Ltd board, Mr Stephen Saad, said: "It's also important to consider that in December 2013, the rand-dollar exchange was eight to one, and today it's over 14. Our player base face offers in euros and yen, and so there is very real pressure on player salaries. We can cry and say we only have X million, or you can work smarter." (Lewis, 2016).

A third threat to rugby is the perceived slow rate of transformation in the sport, and the impact that the quota system has on the ultimate product sold to the consumer (Hoskins, 2014). Sport in South Africa is required to transform. In April 2016 the Minister of Sport, Fikile Mbalula, banned any bidding for the rights to host international rugby events in South Africa, due to the

lack of transformation (Ngoepe, 2016). My research will involve an in-depth analysis of these challenges, to establish the direct impact they have on the overall profitability and longevity of professional rugby in South Africa. Ultimately, I will provide workable solutions to each of the challenges outlined above, by developing a business model which will use The Sharks (Pty) Ltd as the principle case study.

1.2. Chronological timeline of important events in the history of South African rugby

- 1823 – William Webb Ellis catches ball in soccer match, start of rugby
- 1841 – First written rules for Rugby
- 1861 – Rugby-Football introduced to South Africa by Canon George Ogilvie
- 1870 – Rugby Football Union (RFU) accepts the rules
- 1875 – Hamilton’s Rugby Club established as first rugby club in South Africa
- 1882 – Formation of South African Rugby Association (SARA)
- 1884 – First inter-town matches played between Kimberley and Cape Town
- 1886 – Western Province Coloured Rugby Union formed (WPCRUI)
- 1887 – Union Rugby Club, the first black rugby club, was formed
- 1889 –South African Rugby Board (SARB), the white rugby federation, was formed in Kimberley
- 1891 – British Isles tour South Africa and donates the Currie Cup
- 1892 – Official inauguration of the Currie Cup. Western Province were the first tournament winners
- 1897 – South African Coloured Rugby Football Board (SACRFB) was formed
- 1902 – Rugby match between Boer and British Armies
- 1906 – First Springbok tour abroad, travelling to Britain, Ireland and France

- 1921 – Springboks tour New Zealand. This was the first contact between the two powers in world rugby
- 1935 – South African Bantu Rugby Board (SABRB) was formed
- 1950 – The National Party enacts the Group Areas Act, and legally and physically divides South African rugby along racial boundaries
- 1967 – Prime Minister HF Verwoerd refuses visas to Maori players. In response, New Zealand cancels its tour to South Africa
- 1969 – Anti-apartheid demonstrators disrupt Springboks tour of Britain
- 1970 – The first Maoris and Samoan tour of South Africa with New Zealand
- 1976 – The National Party announces that multi-nationalism in sport will allow Blacks to participate with whites, pending special permission
- 1981 – Springboks tour New Zealand. Second match cancelled due to protestors
- 1981 – Errol Tobias is the first black player to represent South Africa in a test
- 1983 – French Rugby tour to South Africa cancelled
- 1984-1992 – South Africa banned from the International Rugby Board as a result of the nation's continued apartheid policies
- 1988 – Danie Craven and Louis Luyt meet with ANC representatives to discuss formation of single, non-racial governing body for South African Rugby
- 1992 – Inauguration of South African Football Union in Kimberley
- 1995 – South Africa host and win the Rugby World Cup. Nelson Mandela wins the hearts of our nation by wearing Francois Pienaar's No.6 Springbok jersey
- 1998 – South Africa wins the Tri-Nations tournament for the first time
- 1998 – Silas Nkanunu appointed as president of South African Rugby Football Union (SARFU)
- 2003 – Race fallout between Springbok teammates, Geo Cronje and Quentin Davids before the Rugby World Cup
- 2003 - Jake White appointed as Springbok coach

- 2006 – 20-year old Chiliboy Ralepelle becomes the first black player to captain the Springboks
- 2007 - South Africa wins the Rugby World Cup (RWC) in France, with John Smit as captain
- 2008 – South Africa appoints Peter de Villiers as the first non-white Springbok coach
- 2009 – South Africa wins the Tri-Nations and beats the British Lions in a three-match series 2-1
- 2016 – Alistair Coetzee becomes the second coloured coach of the Springboks and appoints Mzwandile Stick, as his assistant. Stick is the first black African assistant Springbok coach

1.2.1 Broad history of rugby in South Africa from 1823 through until 1990

The sport we know as Rugby was born in Warwickshire, England in 1823, when a school boy named William Webb Ellis caught the ball during a football match and ran to the opposing side's goal posts. He put the ball down for what is now known to be a try in rugby union and that was the start of what is officially known as Rugby (Smiles, 2012). The first written rules for rugby were established in 1840 and in 1870 the Rugby Football Union (RFU) accepted these rules.

A man named George Ogilvie is credited with introducing rugby to South Africa. He was principal of Diocesan School – better known as Bishops – in Cape Town from 1861 to 1885 (van der Berg, 2011). At the same time as rugby started in schools, the British army units also started playing rugby in Cape Town. The first recorded match between the Officers and the Civil Services took place in Green Point, Cape Town, and was reported in the Cape Argus of 21 August 1862 (van der Berg, 2011).

These matches went on for 10 years, but they were unscheduled and not played regularly. A more formal structure was created, which became the first rugby club in South Africa. The Hamilton Rugby Club was formed in 1875, and is officially regarded as the oldest rugby club in South Africa. It was followed by Villagers in 1876.

Although this overview of the origin of black and coloured rugby in South Africa is not aimed at providing a definitive history, it will help the reader to understand that the myth of rugby being a white elitist sport that only included black people after 1994 is fundamentally wrong. There is a common belief that rugby was historically only a sport played by white South Africans. The researcher aims to prove that we can set aside the myth of rugby being historically a whites-only sport by looking into the history of South African rugby (Odendaal 1995:25 from Smiles).

The rich history of black and coloured South Africans participating in rugby is well-documented. In an article on News24, titled “A legacy forgotten”, Gary Boshoff writes that often the history of black and coloured rugby isn’t mentioned when discussing the history of the sport in South Africa. He also mentioned how the players and administrators were oppressed, but nothing could break their passion for the sport they loved. (Boshoff Gary, 2004)

In an interview in 2016, Graham Abrahams, Director of Enterprises and Regulatory Affairs at SuperSport, tells the story of when he watched young kids play rugby: “I will never forget many years ago on a Saturday morning I went to Loftus to watch what was known then as bokkie rugby. Little five-year old kids being introduced to the game. There were some white kids running with the ball, there were some black kids running with the ball and a white Afrikaner mom came to stand alongside me, very proud of her little five-year old. In Afrikaans she said to me this little black boy is five years old, introduced to the game, can learn from the little five-year old white boys introduced to the game. I don’t think she was being malicious. It is a genuine belief that transformation is for you guys, development is for you guys, we’re seasoned, we know this.” This story illustrates that the perception exists among certain white South Africans that rugby is a white sport and transformation is needed to introduce rugby to the non-white population of South Africa.

1.2.2 Rugby in Coloured communities

As rugby spread through South Africa in the late 19th century, it was adopted not only by the white population of the country, but also by non-white communities. There is little argument that rugby was the dominant sport in the Cape. Nauright dates the origin of coloured rugby in Cape Town to 1886, when two unions were established in Cape Town, each administering their own competition (Cupido, 2014). The Western Province Coloured Rugby Union (WPCRUCU)

was formed in 1886, and the City and Suburban Rugby Union (CSRU), which was founded twelve years later in 1898.

The sport was encouraged in coloured schools as the teachers believed that it taught valuable life skills to young men, including physical and mental toughness and social cohesion. The sport continued to grow rapidly among the coloured community in Cape Town. It could be argued that rugby brought an entire community together (Bolligelo, 2006).

Coloured rugby expanded through the country, leading to the ultimate formation of the South African Coloured Rugby Football Board (SACRFB) in 1897 (Cupido, 2014). When the SACRFB met again the following year, in 1898, representatives from Western Province, Eastern Province, Griqualand West and the Transvaal Coloured Unions attended.

To this day, coloured rugby has a very strong following in the Western Cape. Considerably more coloured rugby players play for the Springboks than black African players. In an interview on 14 June 2016, Abrahams recounts how the coloured community faced challenges to establish their own rugby club in Cape Town, but, driven by their passion for the game, they managed to acquire an area: “There was a group of people who decided to acquire their own ground for rugby under what was known then as the Provincial Union known as City and Suburban Rugby Union. It was basically based in greater Cape Town in Mowbray area. They acquired land along the Liesbeek River. In actual fact they made a loan and acquired land from an estate agent at that time known as Syfrets Trust. They played rugby there, they laid their own grounds, they put up their own fence, got their own turnstiles and change rooms and they played their rugby there every Saturday. When the Liesbeek rose up in flood the field was flooded and they couldn’t play on that day. Then in the 1950s tragically, the land was expropriated by the Apartheid Government under the pretext of education and I think they were paid a measly sum of seven thousand pounds for the land and told to go away. They then moved to the Cape Flats, Athlone where they again from scratch purchased bush land, totally covered in bush. People cleared it with their own hands, put up [a] concrete wall and build [sic] what is today known as City Park. It still stands there. Amazingly today City Park is used by the Western Province Rugby Union as their alternate ground to Newlands.”

This testimony highlights the fact that non-white communities have historically been passionate about rugby. It shows that apartheid was the main reason for a lack of inclusion, and not a lack of passion for the sport.

1.2.3 Rugby in Black communities

Nauright states that rugby and cricket were established amongst the black communities in the urban areas of South Africa. Soccer and boxing followed (Nauright, 1997). This is in stark contrast with the perception that soccer has always been the preferred and dominant sport among black South Africans. Rugby in black communities was a vital part of social life, with a strong affiliation to clubs and passionate support from the community toward the players. There was a strong sense of community. It has been documented that players played until much later on, in life, some even past the age of 40 (Smiles, 2012).

The first black teams came out of Grahamstown, where St Andrews College's headmaster, Reverend Mullins, introduced rugby to the black community (Smiles, 2012). Rugby stalwart Stephan Katta formed the first black club in Port Elizabeth in 1885 (Boshoff Gary, 2004). Odendaal cites rugby historian Braber Ngozi who believes the first black club was a union rugby club formed in KwaMpundu, in 1887. Orientals, the second black club, was formed in 1894, followed by Morning Star, Rovers, Frontier and Spring Rose (Odendaal, 1995).

The Eastern Cape became a stronghold for black rugby. This was evident in 1934, when 10 clubs were entered in the local competition, known as the Martin Cup. Black rugby didn't just end in the Eastern Cape. The then-Transvaal followed and, with the formation of the clubs Swallows and United, black rugby grew. The South African Bantu Rugby Board (SABRB) was formed in 1935 (Odendaal, 1995). Opinions may differ about which was the first black rugby club to be formed, and the exact date of its formation, but this part shows that the rich history of black rugby started at a similar time to the history of white rugby in South Africa.

In the book, "Sport, Cultures and Identities in South Africa, Nauright claims that Kimberley is the cradle of black sport in South Africa. He describes how many diverse cultures descended on the diamond fields in 1867, when diamonds were discovered in Kimberley (Nauright, 1997). Whites, Coloureds and Blacks all hustled to claim a part of the diamond rush, either by mining the stones or working in the auxiliary industries that emerged to serve the influx of people.

Black people from all over South Africa moved to Kimberley to seek jobs and profit from the mineral boom (Odendaal, 1995). In 1894, the Griqualand West Colonial Rugby Football Union

was formed. Odendaal claims it was probably the first non-racial sports organization in South Africa, since it consisted of coloured, Malay and black clubs. It also did not discriminate on the basis of colour, nationality, language or religion. Odendaal further argues that the use of the word Colonial was deliberate: the union wanted to include all black groups in the newly formed sports body (Odendaal, 1995).

The introduction shows that not only did a Coloured Rugby Union (SACRFB) and a Black Rugby Union (SABRB) exist, but also that the first Rugby union that included Coloured and Black players was formed under the banner of the Griqualand West Colonial Rugby Football Union (GWCRFU) as early as 1867. Eleven inter-racial test matches were played between two teams referred to as the South African Coloureds and the South African Bantus. These games were organized in response to apartheid laws prohibiting official tests for these federations (Bolligelo, 2006).

These facts illustrate that contrary to the prevailing opinion shared by a majority of the white rugby community, other ethnic groups in South Africa share a strong and rich history of rugby union. This will also prove that transformation and development in South African rugby is not about introducing a foreign white elitist sport into a different culture, but much rather to promote and potentially re-ignite the long-burning passionate flame that was momentarily doused during apartheid, when black and coloured communities were excluded from the rugby family.

1.3 Rugby in contemporary South Africa

Historically, the success of South African rugby was built on the natural strength of South African players, the number of talented players that were produced and the near-fanatical following the game enjoyed. Domestic success spilled over when South Africa played internationally. The national team achieve the best test record in the world until 1991 (van der Berg, 2011). Rugby structures within the game in South Africa were considered to be the best in the world, with the Currie Cup deemed to be the best domestic competition in world rugby. The other provincial competitions, intervarsity tournaments and the strong school system ensured a star-studded Springbok squad (van der Berg, 2011).

South Africa's re-admittance into international rugby, in 1992, was a rude awakening for the country. The Springboks won only one of five tests played in 1992 and the next year won just three test matches out of the seven played. It was clear that other rugby-playing countries had moved ahead during South Africa's period of isolation from international competition. The mighty Springboks needed to play catch up to regain their former glory.

The Springboks regained its place alongside the best teams in the world when the team won the Rugby World Cup in 1995 and in 2007. Apart from the success of the Springboks, other representative teams have also performed well on the international stage. The South African Sevens team, the Blitzboks, won an Olympic bronze medal at the 2016 Rio Olympic Games, and the South African junior teams have won the IRB Junior World Cup on numerous occasions. Many of these players went on to represent the senior national team (van der Berg, 2011). It is possible to argue that the strength of South African rugby lies in the number of players playing the sport in South Africa. In 2010, South Africa had 472 915 rugby players compared with 131 384 in New Zealand and 82 790 in Australia (Lambert & Durandt, 2010).

The strength of the South African game is attributed to the strong structures that were implemented and the sense of pride the country has for the Springbok team. Van den Berg (2011) describes the pillars of South African rugby as follows:

- Super Rugby

In 2016, the Super Rugby competition, which originally comprised South African, New Zealand and Australian teams, was expanded to include teams from Argentina and Japan. The South African teams who compete in Super Rugby are The Sharks, Bulls, Stormers, Cheetahs, Lions and the Kings. With the expansion of the competition to 18 teams, South Africa has the most teams in the competition with six, followed by New Zealand and Australia with five each and the new editions Japan and Argentina, with one team each.

- Currie Cup

The Currie Cup, which began in 1892, is the oldest provincial competition in the world. The competition was initially dominated by two sides, Western Province and Northern Transvaal (who later became the Blue Bulls). While the Sharks, Lions and Cheetahs achieved success at different stages of the competition, 54 of the 71 Currie Cup titles were won by Western

Province and Northern Transvaal/Blue Bulls (van der Berg, 2011). The Currie Cup is contested by the 14 provinces in South Africa.

- South African Junior Sides

The IRB Under-19 tournament was held from 1998 to 2007 and the Under-21 tournament was held between 1996 and 2006. In 2008, the Under-19 tournament and the Under-21 tournament was replaced by the IRB Under-20 World Championship. In the South African domestic competition, South Africa chose to stay with the two age groups — Under-19 and Under-21 (van der Berg, 2011).

- Youth Weeks

Craven Week was first played in 1964 and seen as the greatest tournament for schools in the world (van der Berg, 2011). Currently, the primary school Craven Week and high school Craven Week tournaments are played annually. Provincial school boy teams are selected to play against other provinces during the week. The concept of the Craven Week was expanded to include an Academy Week for players who missed out on selection for the Craven Week. Another Under-16 week is named after leading rugby administrator Grant Khomo. These additional weeks allow for more than 1 500 boys to represent their provinces (van der Berg, 2011). The South African Schools team is named at the end of the Craven Week tournament.

- Varsity Cup/Varsity Shield

First introduced in 2008, the Varsity Cup is an inter-university competition, which sees eight of the nation's leading universities play against each other every year. In addition to this tournament, Varsity Shield competition is a second-division Varsity Cup competition comprising 12 competing teams. Matches are played on a Monday night and are broadcast by SuperSport. As part of the Varsity Cup competitions, the residence competition, known as the Koshuis Rugby Championship, crowns the best residence side in the country (van der Berg, 2011).

- Sevens Rugby

The South African Sevens team, better known as the Blitzboks, participate in the IRB Sevens circuit played in 10 different cities throughout the world (World Rugby, 2017a). The Blitzboks have been one of the most successful Sevens teams in the world and won the bronze medal at the Olympic Games held in Rio, in 2016.

- Women's Rugby

Women's rugby in South Africa has not been as successful as the men's game. The South African women's rugby team did not qualify for the 2017 World Cup in Ireland (World Rugby, 2017b). When the team did participate in two World Cup tournaments, its performance was not up to standard. Its best World Cup finish was in 2010, when the team finished in 10th place (van der Berg, 2011).

- Club Rugby

The role of club rugby in South Africa is to develop rugby players to ultimately play provincial rugby. The club rugby system plays an integral role in South African rugby, as clubs form the amateur structure within the South African rugby provinces. This structure which currently holds the majority share in South African rugby, according to SARU's constitution (SARU, 2016). The most prestigious competition for non-university clubs in South Africa is known as the Gold Cup.

South African rugby has a large pool of players and has the infrastructure to compete at all levels of the sport on the international stage. But for rugby to be inclusive and representative of all South Africans, the game needs to transform in both race and gender. The legacy left by apartheid threatens the future of rugby in contemporary South Africa and change is required. This change will have to be reflected in all of the structures mentioned above, as well as in the management of the sport and the supporters that follow the game (Dunn, 2009).

1.4 Professionalism: after 1996

1.4.1 ‘Shamateurism’

‘To me, playing rugby, our rugby, for money, is like paying a woman for sex. It is prostitution...when a player is paid to play then he isn’t playing for the love of the game anymore’. – Danie Craven (Bolligelo:2006)

For much of the twentieth century, rugby union proudly fought against professionalism and looked down on the 13-man code of rugby league. Rugby league broke away from rugby union in 1892 when players in Yorkshire, England were compensated for missing work and their clubs were charged for compensating their players.

The 13-man code became professional before the more traditional 15-man code. This led to high-profile rugby union players moving to rugby league to earn money and effectively became professional sportsman. Frano Botica, an All Black representative in union in the 1980s and the Welsh flyhalf Jonathan Davis, who played union for Wales in the 1980s, were the first, and most high-profile, players to switch codes from rugby union to rugby league for financial reasons. Both players became dual internationals, which means they represented their country in both codes.

The highest profile South African rugby union player to cross codes was Springbok captain and eighth man Tiaan Strauss, who left South Africa to play rugby league in Australia in 1996. Rugby union became a professional sport in 1996, so Strauss was the last high profile player to leave rugby union purely for financial reasons. Strauss returned to union in 1998 (Wikipedia, 2016).

Professionalizing rugby has changed the sport entirely, from the boardroom all the way into the change room; from a professional team to the development of the sport in previously disadvantaged areas. The romantic notion of rugby being an amateur sport for decades came to an abrupt and final halt in 1995 when the sport officially turned professional in 1996. The timing of rugby union’s move to professionalism is significant, when comparing it with other

sports. Cricket, rugby league, soccer, baseball and basketball switched from amateur to professional much earlier (Ryan, 2008).

I mention ‘officially’ as rumours abounded of players being paid a long time before 1995. Bolligelo claims that the player transfer market in South Africa was well established in the 1980s, with players moving provinces and relocating under the auspices of amateur sport. This gave birth to the term “shamateurism” (Bolligelo, 2006). Rugby union administrators began to change their views towards professionalism as early as the mid-1980s, softening their approach to transgressors of the amateur code. This was done to improve commercial opportunities for elite players, but did little to stop rugby union players from defecting to rugby league (Ryan, 2008).

The word shamateurism was a sarcastic term referring to amateur players getting paid to play rugby, without administrators admitting to the payments.

Former national coach and rugby administrator Dr Danie Craven even went as far as to distinguish between a “Rebel” tour and an unofficial tour. On a rebel tour, players were paid. An unofficial tour wasn’t sanctioned by the International Rugby Board (IRB), which made it possible to pay players. These unsanctioned tours did not affect rugby union’s official amateur stance (Ryan, 2008).

In an interview in February 2016, former SARFU CEO and Saracens CEO, Edward Griffiths mentions the fact that provincial rugby unions had big stadiums filled with supporters and very few expenses. These led to unions flush with cash who could lure players with payments made ‘under the table’. Natal was skilled at attracting players away from their home provinces. A few examples of these movements in the age of shamateurism were Robert Du Preez, who moved from Northern Transvaal to Natal in 1992; Andre Joubert, who moved from the Free State to Natal in 1992 and Henry Honiball, who moved from Free State to Natal in 1990.

Gary Teichmann – the successful Natal and Springboks captain – writes in his autobiography that South African rugby had been semi-professional since the 1986 Cavaliers tour. Teichmann says that the local transfer market was healthy during the 1980s and early 1990s. He further states that player payments often came in the form of not salaries, but rather in houses, jobs, cars or monthly payments (Teichmann, 2000). This would explain why many players moved to Natal in the early 1990s.

The consensus at that point was that payment was acceptable as long as the payments were not for playing rugby. Rugby was played for love and not for money. This was in order if a player had other sources of income on the side, which would allow them to pursue their passion for playing rugby at the same time. This environment turned rugby into an elitist sport, separating the working class from the wealthy (Bolligelo, 2006).

Most of the players feeding the clubs and provinces were amateurs. The provinces in turn reaped the rewards of sold-out stadiums on big match days. But the most important commodity – the player – was left out of the equation (Grundlingh, 2005).

In 2016, rugby is a billion-rand industry, but the transition from an amateur sport to big business has not been an easy one. The global expansion of professional rugby, coupled with the rand's depreciation against overseas markets, has forced local franchises to pay bigger salaries to keep players in South Africa. But the growing salary costs coupled with declining traditional revenue streams has left South African rugby franchises in financial distress.

The EP Kings, a Super Rugby franchise, was officially liquidated in August 2016 after failing to honour player salaries. Its own players initiated liquidation proceedings (Sport24, 2016). Other South African rugby franchises are also struggling to run a profitable business. Even the most successful rugby union in South Africa – Western Province - applied for voluntary liquidation in November 2016 (Harrison, 2016), citing declining revenue and higher player salaries as reasons. Saracens, the English premiership champions, is rumored to be the most indebted rugby club in world rugby, with a total debt of \$64.3million (sportbusinessdaily.com, 2016).

1.5 Problem statement

In the world of sports, rugby was one of the last sports to shed its amateur status and fully embrace a professional era. This change has been accompanied by as many setbacks as successes, as each member country of the International Rugby Board had to deal with problems particular to their context.” A Bolligelo 2006

The professional rugby sector has underestimated the value of innovation and new business strategies for a long time. The question of whether rugby can become a sustainable and

successful business in an ever-changing financial, political and social environment is yet to be answered. Rugby franchises are presently under significant financial pressure and it is clear that the business model has to change (News24, 2016).

This study aims to formulate an innovative and inclusive business model that will provide solutions to the problems that professional rugby franchises are currently facing. The model will propose practical and feasible strategies to achieve the government-set transformation targets to make rugby inclusive and representative of the South African population (Burnard Lloyd, 2016); as well as offering an achievable business model to make the franchises profitable.

By necessity, inclusive innovation is the basis for developing these business and transformation strategies. Rugby has long been perceived as a sport that excludes people who suffered unfair discrimination under apartheid, whether in administrative structures or at the grassroots level.

This research will indicate what progress has already been made to reverse this and also identify possible areas where transformation processes can be improved. This will be done through a review of pertinent literature including historical records, autobiographical accounts, journal articles, and statistical research reports; investigating the programmes in place, and through contact interviews with pertinent players, both on and off the field. The Sharks will be the principle case study, as a focus for the research problem, both for gathering data and formulating a business and transformation model.

I played rugby for 27 years, including a period at professional level from 1998-2011. During my career I represented South Africa at national level for South African Schools, U/19, U/21, U/23, and South Africa “A” in 2003. I left South Africa to play professional rugby in France from 2005–2011.

I am currently employed by The Sharks as Chief Operations Officer. My current position within a rugby franchise, and more specifically with The Sharks, allows access to relevant information as well as contact with stakeholders who will be valuable to the research. In addition, The Sharks franchise provides a live business model to analyze as the means to formulate a more inclusive business model.

Examining the transformation of rugby in South Africa requires research into current development programmes and an evaluation of their success (Hoskins, 2014). This will form

the basis for a model which could be profitable for shareholders as well as being demographically representative of the country's population.

The research will combine multiple purposes: it will describe the present situation from rugby's development into a professional sport to the current challenges facing the country's franchises; it will explore alternative ways to improve the current business models and address transformation; and it will propose and explain a more inclusive and innovative model.

1.5.1. Rugby as a business

Rugby is a global business played in both the southern and northern hemispheres. Super Rugby is the southern hemisphere's main product, currently broadcast to 18 different television networks. Argentina and Japan were added to South Africa, Australia and New Zealand in the new expanded annual competition.

The northern hemisphere's equivalent of Super Rugby is the Champions Cup. The Champions Cup is played in England, France, Ireland, Wales, Scotland and Italy.

There is a correlation between the global growth of the game and the revenue generated from broadcasting rights. In 2016, SARU received R653m in broadcasting rights, increased from R328m in 2015 (SARU, 2015). This increase was passed down to the Super Rugby franchises, whose broadcasting rights increased from R14m per franchise to R28m per franchise.

By contrast, in the French Top 14, the negotiated broadcasting rights increased from 31.7m Euro in the 2013- 2014 season to 97m Euro per season, effective from the 2018–2019 season (Thomas, 2016).

The increased revenue in the northern hemisphere, as well as the depreciating rand, resulted in large numbers of top players leaving South Africa to play abroad. This trend left fewer high profile players playing in our local competitions such as the Currie Cup, which has in turn affected the product offering of South African teams – and more specifically stadium attendances. This has a direct impact on income streams and increases the reliance on broadcasting rights to generate revenue.

Average year-on-year attendances at live rugby matches have declined by 4.8% from 2010–2013 (Steyn, 2014). This leads to lower match day revenue generated from ticket sales and food and beverage sales. This presents an important need for a new business model to ensure the success of rugby as a business in the future. Historically, ticket sales generated the greatest revenue streams in South African rugby; and more specifically, season tickets and hospitality suite sales.

As a provincial team, The Sharks has the largest supporter following in South Africa (Frontiers, 2015): 35% of all South Africans support the Sharks. The franchise also has the largest social media following of all local super rugby teams.

1.5.2. Transformation in rugby

"During my lifetime I have dedicated myself to this struggle of the African people. I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die." – extract from Nelson Mandela's statement at the opening of his defence in the Rivonia treason trial, April 20, 1964.

"The time for the healing of the wounds has come. The moment to bridge the chasms that divide us has come.

Never, never and never again shall it be that this beautiful land will again experience the oppression of one by another and suffer the indignity of being the skunk of the world. Let freedom reign. The sun shall never set on so glorious a human achievement!" – extract from Nelson Mandela's inaugural speech as President of South Africa, *Pretoria*, 10 May 1994.

"We are extricating ourselves from a system that insulted our common humanity by dividing us from one another on the basis of race and setting us against each other as oppressed and oppressor. That system committed a crime against humanity." – extract from Nelson Mandela's speech in Pretoria upon receipt of a report from the Truth and Reconciliation Commission, which investigated apartheid-era atrocities, October 29, 1998.

These quotes from Nelson Mandela, who is often referred to as an international icon (Department of Sport and Recreation, 2013), are important. They place into perspective the value of sport as a nation-building instrument. The quotes illustrate very briefly the political journey of arguably one of the most influential politicians to ever lead South Africa. The first quote was delivered during the Rivonia treason trial where Mandela and his co-accused activists against apartheid stood trial, accused of sabotage.

This trial was often referred to as “the trial that changed South Africa”. Nelson Mandela was sentenced to life in prison at the end of the trial. He was released in 1990 from Pollsmoor prison. In 1994, in the first fully democratic election held in South Africa, Mandela was elected as the first democratically elected president of the Republic of South Africa. He was the first non-white president of South Africa.

Mandela’s aim was to build a unified nation and cross the divide that the apartheid regime created. During the Truth and Reconciliation Commission, held in 1998 to investigate apartheid-era atrocities, Mandela ended his speech with the following words: “*Free at last, we are all masters of our destiny. A better future depends on all of us lending a hand - your hand, my hand.*” At that time, Archbishop Emeritus Tutu, coined the phrase “Rainbow Nation”, referring to the many cultures and diversity that exists in South Africa. Tutu used the phrase to promote harmony among citizens of South Africa, using the analogy of a rainbow which brings all different colours together. The colours never lose their individual identity and yet still the rainbow exists as a unit (*Archbishop Emeritus Mpilo Tutu, 2016*).

Apartheid not only divided a country. It also separated demographic groups within South Africa from certain sports. Historically, rugby has been seen as a white sport. This means that non-whites within South Africa were denied facilities and equal opportunities to play the sport, compared with the access that white people had to rugby in South Africa. In those conditions, how could the sport serve as a vehicle for reconciliation and increased social cohesion in a country wrecked by civil conflict? This research analyzes the case of South Africa and its experiences in the sports sector since the fall of apartheid. It does this in an attempt to explore the necessary processes to understand the potential that sport has to facilitate peace-building.

By identifying and analyzing initiatives in South Africa used at the national, community and individual level, the article outlines the possible effects that sports can have on reconciliation

in divided states. By linking experiences from state policies, non-governmental organization (NGO) activities and donor projects with social identity and reconciliation theory, the article outlines the possible positive and negative aspects of sports. Finally, the research suggests important avenues for further research to uncover how to turn sports into effective political tools for post-conflict peace building.

The Transformation Charter for South African Sport (2011) defines transformation as “a process of holistically changing the delivery of sport through the actions of individuals and organizations that comprise the sport sector to ensure that there is increased access and opportunities for all South Africans, that the socio-economic benefits of sport are harnessed, and that the constitutional right to sport is recognized” (Department of Sport and Recreation, 2011).

Nelson Mandela used sport as a means to bring people together. He believed that sport can cross social and political divides that politicians would not be able to cross. The Rugby World Cup 1995 is a perfect example of how Mandela used sport to build a nation. Traditionally, rugby in South Africa was synonymous with Afrikaner oppression. The way Mandela embraced the national rugby team during the tournament was seen as a symbolic gesture of reconciliation (Heere et al., 2013). The image of Mandela wearing Springbok captain Francois Pienaar’s jersey gained huge support amongst the Afrikaner community. That act helped to create a sense of national identity and pride throughout the entire country (Migozzi, 2010).

SARU described the failure to transform as the “number one critical risk to rugby in South Africa” (SARU, 2014). SARU’s Strategic Transformation Plan shows that in 2014 16% of the Springbok team was ‘black African’. The plan sets a target of 60% ‘black African’ representation by 2019 (SARU, 2014). The transformation plan not only aims to increase black representation at player level, but also aims to increase black coaches and referees involved at provincial and national level to 50% by 2019 (SARU, 2014).

While it is vitally important to transform the game, it is as important to achieve success on the field. It is this success that attracts sponsors and spectators. The revenue streams generated by television broadcasting rights alone in South Africa have increased from R182.6m in 2008, to R653.9m in 2016. Sponsorship in SARU has increased from R146.8m in 2008 to R390.5m in 2016 (SARU, 2015). These numbers highlight the undeniable fact that for rugby to be successful it should transform on the playing field. However, it is vital that the

quality of the product is not compromised in the process – this will negatively influence the revenue generated by sponsorships and broadcasting rights.

The current Minister of Sport, Fikile Mbalula, has expressed his dissatisfaction with the lack of transformation in South African sport. In 2016, Mbalula banned all federations, including rugby, from hosting international events (Ngoepe, 2016). The ban provoked negative reactions. New Zealand journalist Mark Reason wrote that “transformation is damaging South African rugby by turning it into a second-rate sport” (Reason, 2016). While the unions, sponsors, broadcasters and the players’ union all support transformation (SARU, 2014), it is extremely important that the commercial product is not regarded as second-rate because of transformation.

1.5.3. Players leaving South Africa to play overseas

A growing number of high profile players are currently playing professionally in Europe and in Japan. In the new Super Rugby format, South Africa has six teams representing the country in the competition. Each squad comprises 35 players, which allows for a maximum of 210 players playing at the highest level of rugby in the southern hemisphere.

In 2010, South Africa had 472 915 male rugby players. Of these, 84 522 played senior rugby (Lambert & Durandt, 2010). This is 67% more senior male players than in New Zealand and 56% more senior male players than in Australia. While the figure includes amateur and professional players, it is reasonable to conclude that with only 210 places available for South African players in Super Rugby, a large number will play overseas.

In 2013, 233 players were playing for overseas clubs. That is 23 more players than we have in South Africa playing at the same level (Steyn, 2014). The number of Springboks playing overseas has increased from 27 in 2009 to 46 in 2014. This represents an increase of 30% of the 46 Springboks who played at least one test during the 2014 season; and 28% of those who played a more than 50 test matches during their careers (Steyn, 2014).

In addition, in 2014, more than 58% of the Springboks playing overseas were part of the Springbok team. This will negatively impact on the commercial product sold to the public, sponsors and broadcasters. The phenomenon of the players leaving South Africa and the

negative impact it has on the product can also be explained by discussing the impact of losing high profile individuals and the loss of the “celebrity” linked to the sport.

1.5.4 Celebrity management in rugby

Celebrity refers to a social actor who maintains the ability to generate a significant amount of public attention and prompt positive emotional reactions from stakeholder audiences (Williams & Chinn, 2010). I will be focusing my research on celebrity management in the professional sports industry, and especially in the context of professional rugby in South Africa. It is important to establish the power of the celebrity and its relationship with the sporting brand. A number of studies have been conducted into celebrity management and the role of celebrities in sport. Celebrity role models have been shown to play a significant role in the aspirations of young adults, and have been known to influence consumer behavior (Dix, Phau, & Pougnet, 2010).

When individuals gain celebrity status they wish to sustain it, even if doing so might lead to conflict between the brand and the celebrity. This is an important point in relation to research into the relationship between the celebrity and the brand. Associative learning within celebrity management and the brand suggests that by repeatedly pairing the brand and celebrity, each become part of the other’s association set (Dix et al., 2010). The questions to be explored with associative learning are what impact will a big name celebrity have on the brand; how it will affect the identity and brand equity; and whether this would have a negative association for the brand.

Celebrity endorsement in sport is a large-scale business. Nike spent \$1.4bn in the period 2003 to 2004 (Shuart, 2007). There are risks to the brand when endorsing a high profile celebrity: the celebrity may act in a way that damages the brand’s reputation by association. Examples could be the damage caused to brands when Tiger Woods’ infidelity was exposed (Callahan, 2013) and when Lance Armstrong was found guilty of doping in cycling, despite having built up a respected brand after beating cancer to be the most successful road cyclist in history (Weislo, 2012).

The definitive link in the supporter's mind between the celebrity player and the affection for the team underlines the risk to the financial stability of the sporting team when teams lose high profile players; or when they engage with celebrity athletes, as described above.

The Sharks Super Rugby franchise lost the following celebrity players during the 2015/2016 rugby seasons:

- Jannie Du Plessis
- Bismark Du Plessis
- Marcell Coetzee
- Francois Steyn

At the time of writing, the four international players had accumulated a combined 230 test caps for South Africa. During the same period, 16 Sharks players held 473 test caps between them. Losing four players with a combined 230 caps amounted to a loss of 49% of the Springbok caps in the entire Sharks Super Rugby squad.

The loss had a significant impact. Not only did the Sharks fail to make the play-offs that year, the season tickets sold in 2016 declined from 10 620 in 2015 to 9 160 in 2016.

The celebrity value of the players who left can be illustrated through their social media presence. Du Plessis, Du Plessis, Coetzee and Steyn had a combined Twitter following of 137 600 followers. In 2016, The Sharks had 135 900 followers on Twitter – slightly less than the combined following of the four players. It is difficult to determine the precise economic impact of the players leaving. However, in my opinion it is safe to assume that this negatively impacted The Sharks' brand and most probably the club's revenue.

Drucker (1994) argues that sport heroes are merely pseudo heroes and that contemporary media has created an unending stream of celebrities (Drucker & Cathcart, 1994). In a study titled *Heroes in Sport*, Joshua Shuart found that sports hero worship is still prevalent (Shuart, 2007). The Sharks example laid out above leads me to assume that the loss of celebrity athletes in a sporting franchise does impact negatively on the revenue of the business, this can be proven due to the decline in revenue if ticket sales and match day revenue.

The opposite effect is also possible if the influx of celebrity athletes into a sports team impacts not only results on the field but also increases their fan base.

France's Toulon Rugby Club, Rugby Club Toulonnais (RCT), was founded in 1908. It has a rich history in French rugby. Despite the club's history, RCT was relegated to the second division of French professional rugby in the early 2000s. During the 2006–2007 season, Toulon businessman Mourad Boudjellal bought the club while it was still in second division. Boudjellal had a vision of reaching the Top 14 again and implemented an ambitious recruitment plan that was at that stage unheard of in the ProD2 (Toulon Rugby, 2016). Celebrity athletes like Sonny Bill Williams, Bryan Habana, Jonny Wilkinson and many more top international players were recruited. The effect on the match results were just as impressive as the effect that the celebrity athletes had on the brand. RCT's Facebook following at the end of 2016 was 432 362 – mostly driven by content showcasing their celebrity athletes.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

My research is centered around professional rugby in South Africa, with the ultimate aim of creating a business model that will develop South African rugby franchises into inclusive and successful businesses, using The Sharks (Pty) Ltd as the principle case study.

This review aims to cover the three main areas identified in the conceptual proposal, namely:

- Transformation
- Rugby as a business
- Player exodus

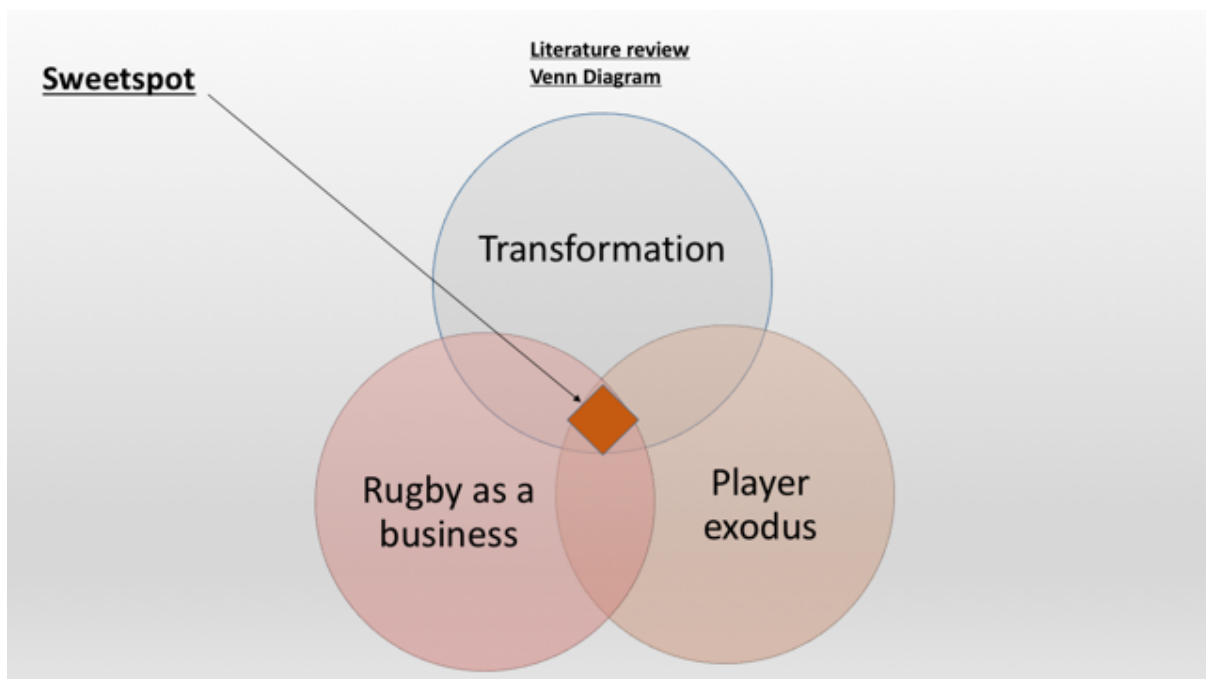


FIGURE 1: *Venn diagram literature review*

The aim of the literature review is to provide a full appreciation of previous work that can inform this research project. It is well documented that sport in South Africa and rugby in

particular needs to transform and be more representative of the South African population demographics (Department of Sport and Recreation, 2011). Historically, rugby is said to have excluded people of colour from participation (Department of Sport and Recreation, 2013). This will require researching literature to ascertain on the effects that isolation had on South African sport.

While the financial difficulties currently facing the professional game in South Africa have been documented (News24, 2016), this review will also examine what, if any, literature exists around the financial models of professional rugby.

The third area that will be researched and reviewed is the problem of top South African players leaving the country to play professionally abroad. This is a relatively new phenomenon and, although there are media reports on this, there is a paucity of literature which investigates both the causes for the exodus and the impact it will have on rugby in South Africa (Burnard, 2015).

It must be noted that not all the literature relevant to the research has been included in the literature review. I have chosen the 15 most appropriate items which include research documents, published literature, journals and press articles. My learning portfolio lists the full range of literature in the form of books, interviews, articles and other documentation that will assist with my research. I have found that the availability of literature depends on the specific area of research. As mentioned earlier, currently little has been written on player exodus and models for rugby as a business. However, transformation in sport, and more specifically rugby, has been extensively documented in various publications.

The structure of the review will follow a sequential approach. It begins with the literature pertaining to transformation in rugby, followed by literature available on player exodus, and finally, literature relating to rugby as a business.

I formulated a mind map, depicted in Figure 2, to help identify the most important sub-areas within transformation, rugby as a business, and player exodus. I did this to determine the most relevant literature within my chosen portfolio. The seven sub-areas identified will then be linked to the relevant article that pertains to the topic.

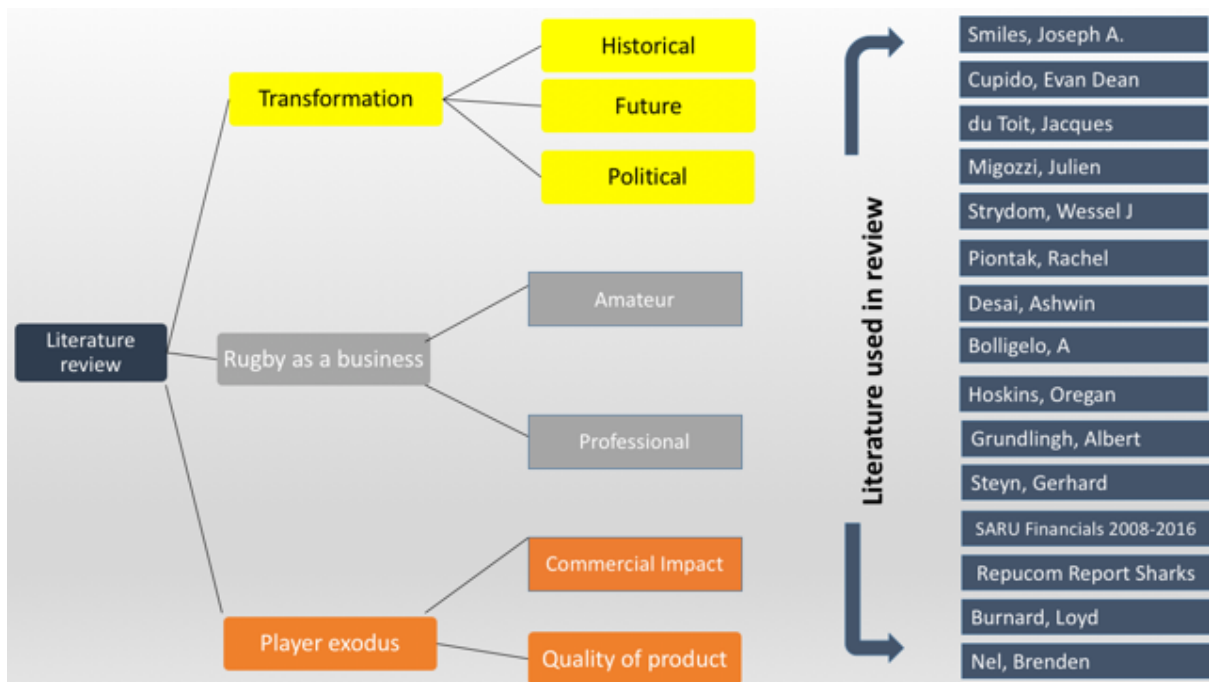


Figure 2: Literature review, sub areas

In Figure 3, I have illustrated the relevance of the seven sub-areas, and linked them to the appropriate item of literature or writer.

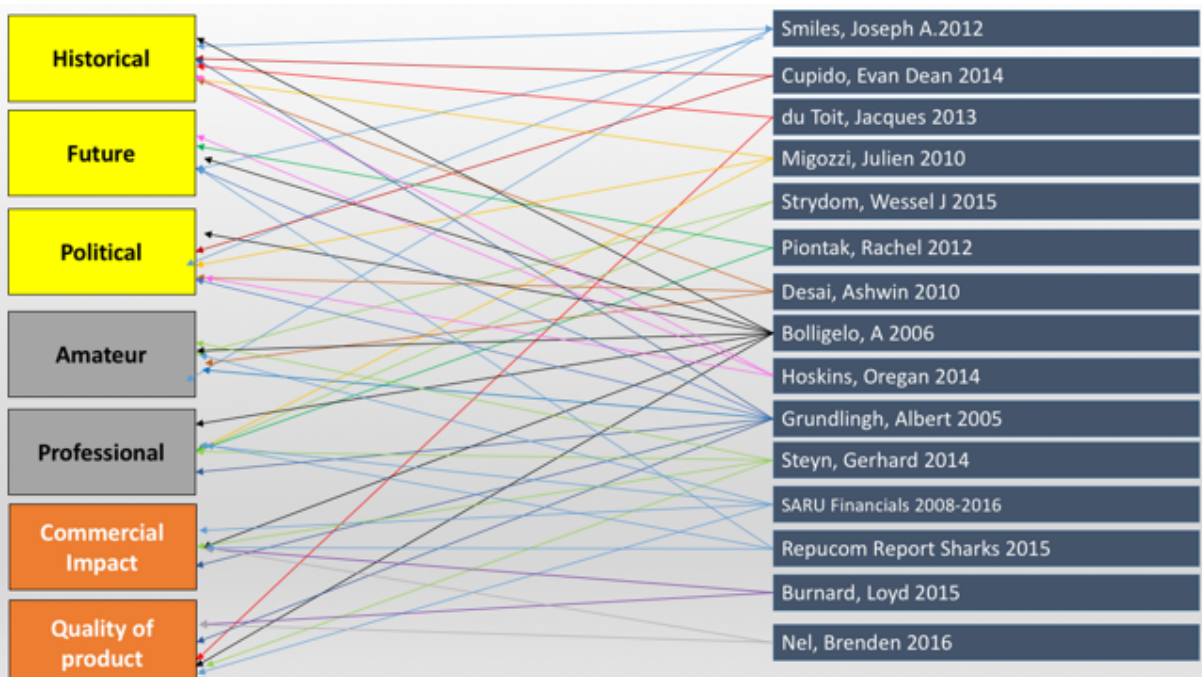


Figure 3: Literature review - article vs area

Figure 3 shows the relationship between each sub-area and a specific article. This was a valuable exercise in assessing the importance of the article and its relevance to the research.

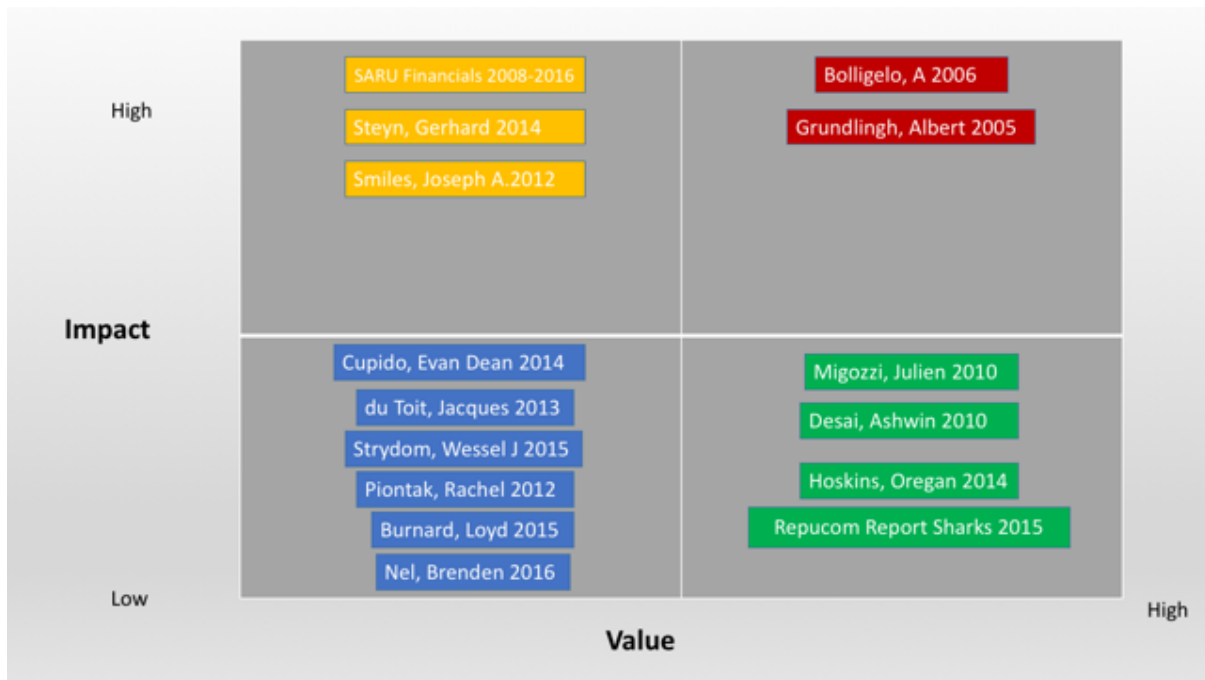


Figure 4: Literature review, impact 1

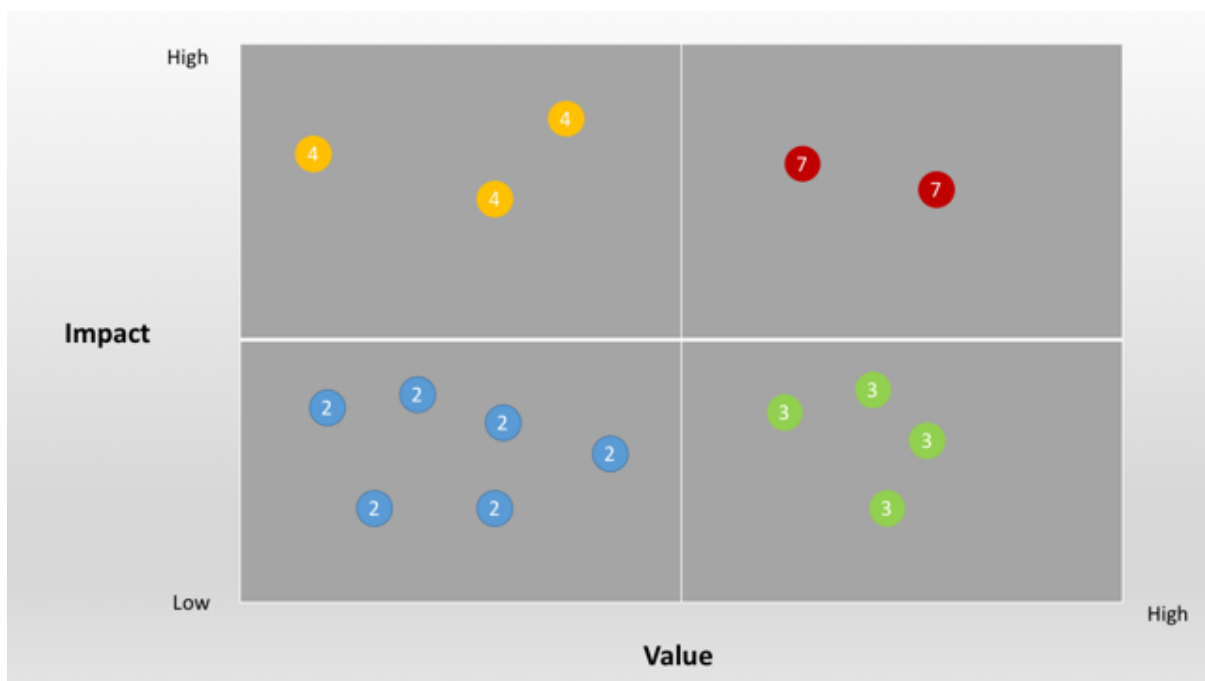


Figure 5: Literature review, impact 2

The tables illustrated in Figures 4 and 5 above aim to show the relevance and the impact of each piece of literature to the research. The positioning of the individual items in the quadrant on the graph illustrates the level of impact and the value that I judge the author and article to have on my research. Annexure A contains a detailed summary and breakdown of each literature item.

2.2. Transformation

Transformation in South African sport is a topical subject, and extensive research and literature on the subject is available. Transformation forms a part of both the country's past as well as the future of all sports in South Africa. Smiles (2012) uses South African sporting history to illustrate the complexity of sport in the local context. Of particular interest are the suggestions that Smiles offers on how to restructure South African rugby at all levels. His article points to possible syntheses between transformation initiatives that are driven by merit and those driven by political intentions.

Cupido (2014) focuses more on the transformation policies that have been implemented in the Western Cape. While he claims that the Western Province Rugby Football union (WPRFU) managed to successfully change the demographics of the organization, in my opinion this statement is not objective. My opinion is based on the fact that the Western Cape is a traditional stronghold and regarded as the birthplace of coloured rugby in South Africa. The first coloured rugby union was established in the Western Cape in 1886. I maintain that Cupido could have drawn a comparison with a province in South Africa where rugby was not historically a stronghold among players of colour.

It is necessary to use quantitative data to assess how the numbers of black and coloured players have increased - particularly since 1995. Du Toit (2013) quantifies the playing time and playing numbers of different race groups between 2004 and 2012. His results demonstrate that specialized programmes that SARU has implemented have not had the desired effect on the game. He further concludes that until the inequalities in society are addressed, transformation programmes are unlikely to achieve the desired outcome, which is that the game of rugby is representative of the South African population.

In a 2012 study, Parker (2012) investigates the factors associated with ‘success’ among South African rugby players using interviews conducted and collating quantitative data from between 1987 and 2008. In its conclusion, the study proposes that development and transformation should be implemented at a much younger age to ensure maximum results and to provide young players the best opportunity to succeed in professional rugby. This is an interesting proposition as it proves that the U18 Craven Week – which has always been identified as the breeding ground for future Springboks – might be too late in terms of talent development.

Controversially, Hoskins (2014) argues that black players in South Africa do not develop beyond a certain level. He points out that at grassroots level there are more black players than white players participating in rugby, but that this is not reflected at senior professional level. Hoskins addresses a problem that is well documented in current literature, but offers very little in terms of a solution to the problem.

The relationship between funding and transformation needs to be considered.

Strydom (2015) aims to establish how funding models can affect a team’s performance. He states that the quantitative research conducted for his study does not reveal a clear correlation between funding models and team performance. However, his qualitative research process points to the opposite. The participants agreed that funding plays a vital role in the success of National Sports Federations. Clearly, further research in this area is necessary to propose how sustainable funding will affect transformation in rugby in the long term.

In “The Race to Transform” Aswin Desai explores different sports in South Africa and challenges the notion that sporting events ease racial tension. Instead, he chooses to frame the debate around sport as a means of social transformation (Desai, 2010). Desai uses the only predominantly black club in KwaZulu-Natal’s premier league – the Jaguars – as his case study. He points out how players from Jaguars were lured to play for other clubs with few players of colour so that those clubs could meet transformation targets prescribed by government. These actions resulted in tension between Jaguars and clubs who approached their players.

Interest in the issue of transformation of sport in South Africa and the history of apartheid reaches beyond the linguistic borders of the country. Migozzi (2010) writes a publication entitled *Les Cahiers d’Outre-Mer*. In it, he examines rugby in relation to its history and culture and examines its social impact in South Africa. Miggozi also outlines the importance transformation of the sport plays within the South African context. This paper has been

included in the literature review to demonstrate that there is international interest in South African rugby.

I found two articles to be the most valuable in terms of my research. These were “Tracing the development of professionalism in South African Rugby: 1995-2004”, written by Bolligelo (2006), and “Rands for Rugby”, written by Grundling (2005). Both these articles cover the three sub-areas identified in Figure 2 on page two in this review. These are transformation, rugby as a business and player exodus.

Grundling (2005) documents rugby’s history from its beginning, during the apartheid era, and explores the political pressure the sport experienced then and is still experiencing today. He provides detailed information on the process of rugby’s development from an amateur sport into a fully professional sport. He also describes the nature of sport and explains that all stakeholders have their own unique interests in the game which can vary over a given period (Grundlingh, 2005).

For his dissertation Bolligelo (2006) also researched rugby’s transition from amateur to professional status, with a focus on the period 1995 to 2004. He not only examines the game’s history, but also identifies contemporary threats and opportunities, focusing on the tensions between transformation and professionalism. In particular, I found the chapters on commercialism, as well as one outlining the impact of professional rugby on the individual players to be stimulating. Bolligelo also writes about “Shamateurism” - the period in which players were paid while the game was still supposedly amateur, which signaled the unofficial onset of professional rugby.

2.3. Rugby player exodus

The phenomenon of players leaving South Africa has been an issue since rugby officially turned professional in 1995. With a depreciating rand, the lure of the pound, the euro and the yen has proved to be the principle motivating factor for more and more players choosing to leave South Africa to play professional rugby abroad. The Sharks (Pty) Ltd Chairman Stephen Saad said in 2016, “It’s also important to consider that in December 2013, the rand-dollar exchange was eight to one, and today it’s over 14. Our player base face offers in euros and yen, and so there is very real pressure on player salaries. We can cry and say we only have X million,

or you can work smarter. We've had to do that, and we've looked at our youth and development programmes.” (Lewis, 2016).

Saad's statement alludes to the problem. My literature review shows that there is little known research to address this phenomenon. In 2009, 236 South African players were employed by leading overseas clubs (Steyn, 2014). By the end of 2015 that number had increased to 280, with another 45 top players signing to play overseas after Super Rugby 2016 (Nel, 2016a). SARU is well aware of the threats to the domestic game and in 2016 concluded contracts with 20 players in the current Springbok squad to keep them in South Africa (Burnard, 2015).

There is currently little research done on player movements. Because of this, in my research I have relied on statistics of players playing abroad as well as newspaper articles and press releases from the club or province informing supporters and stakeholders that the player is moving abroad.

2.4. Rugby as a business

The three documents cited in this section of my literature review provide statistical data, which is mostly qualitative data collated into reports. This data is important for my research and for producing information and trends to help formulate a business plan for rugby as a sustainable business.

The Repucom analysis provides information on The Sharks (Pty) Ltd, which is the case study for my research. It provides an insight into the make-up of The Sharks supporter, providing information such as age, language and living standards measure (LSM). This will be valuable information to consider when constructing a business plan. It will also be useful in understanding the demographics of the specific population groups The Sharks should focus on to increase their supporter base (Repucom, 2015a).

SARU's income statements from 2008 to 2016 are collated into a spreadsheet, to provide insight into the governing body's financial status and how it allocates funds to the provinces and franchises. This information will be used as a guideline to how SARU increased or decreased spending and revenue in key areas, including broadcasting rights, development and player salaries. These figures will enable me to draw a correlation between the financial health of SARU compared with that of the 14 provinces that are SARU shareholders (SARU, 2015).

In 2014 Gerhard Steyn, financial controller at SuperSport, delivered a presentation entitled “Ensuring quality in challenging times” to SARU on behalf of The Sharks. The presentation contains factual information that covers three key areas: viewership numbers and trends, stadium attendances and financial considerations, including broadcasting revenue (Steyn, 2014). There is a direct correlation between these areas and the revenue of a professional rugby organization. I will endeavor to research and collect as much additional data as possible, but the three documents discussed will provide a basis for my research around rugby as a successful business.

2.5. Overview

Sports offers many unique and different ways to articulate national identities, opening up a broad spectrum of rituals that create a sense of union and national cohesion (van Hilvoorde, Elling, & Stokvis, 2010). As discussed in this chapter, the research noted above and other literature available but not cited in this literature review, makes it clear that sport does influence national pride. The important question when it comes to a sport like rugby, which was historically seen as a white-only sport, is how to successfully transform the player and the supporter of the sport while still being a successful commercial business?

Throughout the quantitative and the qualitative research conducted and the literature reviewed, it is evident that transformation throughout the sport at all levels will be paramount to rugby’s future success. Rugby’s history is well documented. The notion that rugby is historically seen as a white-only sport is unfounded when investigating various articles and literature produced on the history of black and coloured rugby in South Africa (van der Berg, 2011).

Various projects and programmes have been created to develop and transform the sport at different levels with limited successes (du Toit, 2013). The present government is placing increasing pressure on sport in South Africa to transform and to be representative of the demographics of the country. Rugby is taking the subject of transformation extremely seriously (Burnard Lloyd, 2016).

The literature available on transformation shows a number of commonalities, with most writers emphasizing the importance of transformation. However, there exist vastly different views when it comes to the techniques and strategies needed to transform rugby.

The need to reconsider the business model for professional rugby in South Africa is highly important. I believe that the budget for these programmes should be increased and continued, to maintain sustainable transformation and development programmes for rugby in South Africa.

SARU's financial statements and budgets indicate that 2014 was the last time that the governing body of rugby in South Africa budgeted for this item. It has since been omitted from the budgets for 2015 and 2016. Further research is required into the reasons for this omission.

In addition, the financial model for franchises will also need to be examined. It is often reported that individual rugby franchises are in financial difficulties. The reason and possible solutions for these problems needs to be investigated (News24, 2016).

It must be borne in mind that rugby is not only a sport of national interest. It is also a major business. SARU budgeted R 1.227bn rand as revenue for 2016 (SARU, 2015). The business model of South African rugby needs to be urgently reworked to ensure the future of the sport, as well as the competitiveness of the national team on the international stage. The player exodus from South Africa is damaging the domestic game in the country: too many of our leading players are leaving to play their rugby abroad (Burnard, 2015). This poses further risks to rugby as a business in South Africa.

CHAPTER 3: METHODOLOGY

3.1. Introduction

The current study aimed to identify how it will be possible to develop South African rugby franchises into inclusive and successful business models, using The Sharks as the principle case study.

This required an examination of recent financial results through the audited financial statements of the Sharks (Pty) Ltd.

Structurally, the research was guided by two main components, which influenced the final structure of the dissertation: an analysis of the past and present state of rugby in relation to business, transformation and player retention; followed by the formulation of an appropriate model for the future. For the former, the approach was largely deductive; for the latter, largely inductive (see figures below). However, mixed methods were used in both the approach and the strategy for both components of the research. Through the deductive approach, quantitative data from research reports was collected. This looked at important information such as the demographics of rugby supporters (Repucom, 2015b), current supporter LSM and the success of current development and transformation programmes (Hoskins, 2014).

3.2. Research section one: The current situation

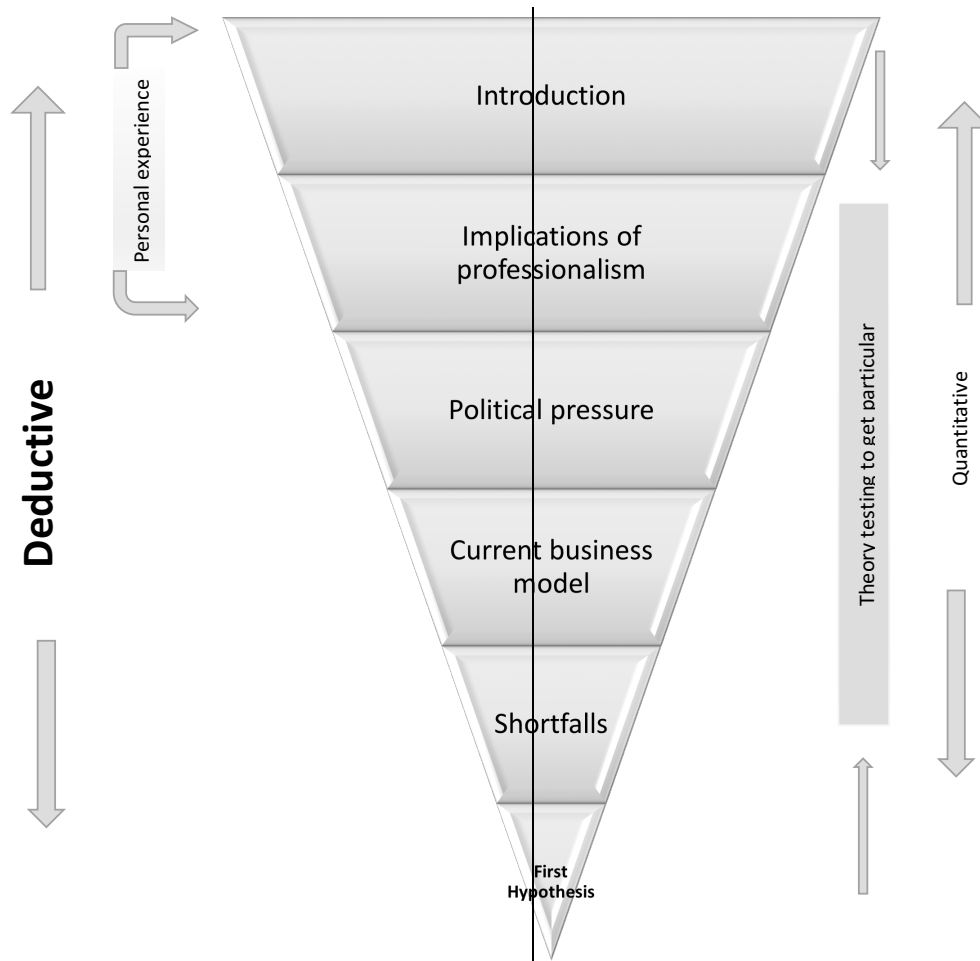


Figure 6: Research deductive

Figure 6 shows the research deductive. In keeping with a deductive approach (O’Reilly, 2009), a hypothesis based on the existing state and past history of rugby franchises was formulated and tested through the gathering of data. The deductive process was therefore driven by a quantitative strategy, with data from the statistical records and research reports mentioned above, supplemented by qualitative information derived from interviews, and historical and autobiographical accounts, used to test and confirm the initial hypothesis based on the current model and situation. That hypothesis was that the existing situation of rugby franchises needed

to be investigated to support the assumption that they can be more effectively managed, financially in particular, for the benefit of the sport and its stakeholders.

During the process undertaken during this stage of my research, several semi-structured interviews were conducted to formulate a view with regards to the history of South African rugby. The first interview was with John Smit, ex-Springbok captain and former Sharks CEO, as he had experience in successfully captaining the Springboks during a career in which he was capped 111 times for his country (Greenaway, 2009).

The second interview done during the first section was with Graham Abrahams, Director of Enterprises and Regulatory Affairs at SuperSport. Abrahams is known among the rugby fraternity for his knowledge of the history of rugby in South Africa, and especially among the coloured and black communities. The input provided by Abrahams was extremely valuable and confirmed the information gathered from research into existing literature in this specific area.

The third interview was with Gerhard Steyn, Financial Controller at SuperSport, Steyn provided through his experience as financial controller of SuperSport, in-depth knowledge of the financial landscape in rugby in South Africa, and the current financial positions of rugby franchises in South Africa.

The data collected from statistical records and research reports were compiled through a collaboration with research agency Repucom, using various methods to determine the economic impact of various events.

3.3. Theoretical framework

In the Literature Review process applied during this research, three key areas of literature were chosen: rugby as a business, transformation in rugby and player exodus in rugby. Mind maps determined seven sub-areas in the research, and linked to the appropriate text or writer. This proved to be a valuable exercise in assessing the importance of each article and its relevance to the research. Through this process, which was explained in detail in the literature review, the two most valuable pieces of literature available were by Grundling and Bolligelo. Their

methodology applied in conducting their research was evaluated and compared it to the methodology for this research. Both writers leaned on autobiographies and biographies to provide insights into player experiences and how the sport developed historically and professionally. Bolligelo mentions that he found the use of newspaper articles useful in providing insights into public opinion. Both writers conducted personal interviews and found the interviewee provided significant insight into a specific area of expertise. The methodologies used by both Bolligelo and Grundling allowed for a sound grounding for the theoretical framework on which this research was based.

3.4 Research second section: the business plan

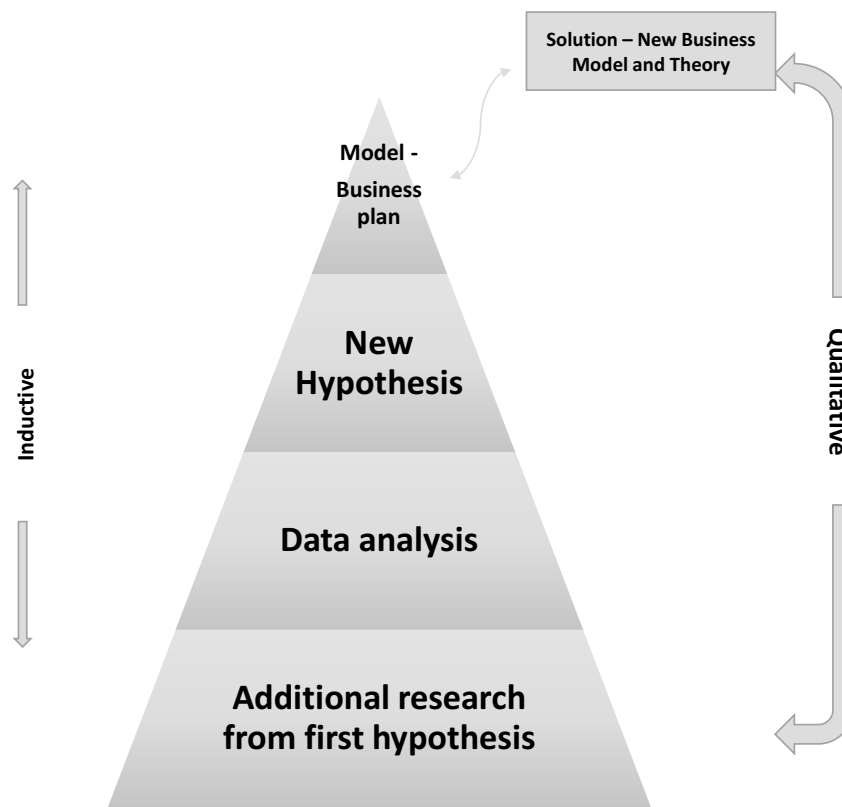


Figure 7: Research inductive

The second thrust of the research shifted to the development and testing of a hypothesis for a more inclusive and sustainable model than that experienced above, using the inductive

approach proposed by Saunders and Lewis (2012). The particular information collected for the deductive approach was in part be used to formulate a tentative hypothesis, which was then tested for validity, before being proposed as a generally applicable theory (Nickerson, 2013). Of necessity, the opinions and experiences of stakeholders had to be considered, including financial experts, heads of franchises, journalists, and players themselves.

Two semi-structured interviews were conducted in the inductive research, the first was with Edward Griffiths, former CEO, SARFU and Saracens. The commercial and historical input that Griffiths brought to the research during the interview was valuable to the research. Griffiths was also involved as CEO of Saracens as well as the CEO of SARFU at different times. The research pointed out that Saracens was the most indebted club in world rugby at the time when Griffiths was CEO. The second interview in this section was with John Swain former chairman of The Sharks financial committee, Swain provided historical background on the running of The Sharks and provided insights into possible methods that was used in the past, and that can be applied in future to establish a business model that will ensure profitability of rugby as a business.

Therefore, the second strategy was largely supplemented by qualitative data, derived from interviews, empirical observation gained through my personal experience as COO of a professional rugby franchise (of the financial and transformational processes), and relevant textual material (media reports and journal articles). I conducted a systematic analysis of the data to identify and then codify major themes and recurring patterns and relationships, to establish the issues relevant to the formulation of and testing of a hypothesis for the future.

It is important to note that because The Sharks is the case study for the research, there will be limitations to the findings, as in some cases the data to be collected and analysed was related primarily to the activities of this franchise only. The data collected was analysed by applying value formulas and computer-assisted web interviewing (CAWI) through online surveys.

3.5. Data Analysis

The data analysis was conducted by applying formulas to calculate the economic impact of test matches. This was done through calculating organisational spend; particularly match day

stadium expenditure, for example: casual staff (cleaning, security, bars, DJ) and activations (sponsor specific).

Two main value formulas were used in the calculation of the Total Economic Impact. A multiplier was used to consider how the organisational/spectator spending was converted within that region. For example, spectator spend on accommodation was then used to pay staff, suppliers etc., who in turn purchase goods, and so the revenue was distributed through the economy. A conservative multiplier of two (2) was applied to this impact study, meaning that for every rand spent on this event, this was then used in only one additional spending link.

The data analysis methodology continued in the Repucom reports used a target market with a determined sample size, and a pre-determined LSM and age bracket. The CAWI method was used which assisted the web interviewing process and analysed the findings to provide an accurate report.

CHAPTER 4: THE SHARKS

4.1 Introduction to The Sharks

The Natal Rugby Union was established in 1890. The team based in Durban was affectionately known as the ‘Banana Boys’, referring to the number of banana farms found in the province (van der Berg, 2014). With the dawn of the professional era and the accompanying financial demands, a long-term strategy was required to build the Sharks brand into a global franchise in rugby-playing countries. Although The Sharks name was formally accepted in 1995, the strategy really only began to pay dividends from 1996, with the allocation of a significant marketing and advertising budget. The Sharks management realised the potential power of the brand. An aggressive marketing strategy, coupled with a good team, established The Sharks as a brand during the 1990s.

Professionalism in rugby raised new financial demands and the need to generate greater returns for the stakeholders. This has resulted not only in more high-profile international fixtures, but also an increase in the fixtures on the domestic rugby calendar — creating an ever-increasing threat for event organizers to maintain crowd attendance. In light of this, the advertising strategy encompassed the promotion of the whole brand experience, including the game, the facilities, the pre- and post- match activities, entertainment and the team.

In late 1995 the Natal Rugby Union adopted the Shark as its official mascot and namesake for the team. Despite limited funds available at the time to establish the brand, The Sharks has now become one of the most high-profile rugby teams in South Africa (Repucom, 2015c).

The growth of the Sharks brand has received recognition not only in the rugby fraternity but also in the marketing industry. Its marketing strategy is acknowledged internationally as a trend-setter in the new era of professional rugby.

Great courage and vision are required if a team wants to operate successfully in a sport that holds strong links to a conservative and traditionalist past. It requires even more to adopt and pursue a strategy that many perceive as irresponsible and inappropriate, particularly at the time when The Sharks’ name changed from the Banana Boys.

Every success story needs driving forces and the Sharks' story is no different. The Sharks prides itself on being professional and led by decisive, visionary people. The Sharks has had successful captains take over the union after they retired from playing for the union. Craig Jameson, who captained Natal to their first Currie Cup title in 1990, took over as CEO of Natal Rugby Union in 1992. John Smit, the 2007 Springbok World Cup winning captain, took over from Brian van Zyl as Sharks CEO in 2013. Smit was replaced by another former Sharks and Springbok captain, Gary Teichmann, in 2016.

The Sharks success story would not be possible without sound commercial structures. When rugby turned professional in 1995, The Sharks (Pty) Ltd was formed to manage the professional rugby body. At the time, its staff compliment was extensively made up of white employees. In 2016, the racial makeup of the staff at The Sharks has changed dramatically, and truly reflects a transformed structure. It may not yet be the finished product, but there have been substantial improvements since 1995. All racial groups are well represented in The Sharks' administration, reflecting the rainbow nation.

Various stakeholders play an extremely important role in the commercial success of The Sharks (PTY) Ltd.

The Sharks' stakeholders are made up of the following:

1. Shareholders
2. Sponsors
3. Employees
4. Players
5. Inter-companies
6. Season ticket holders
7. Suite holders
8. Fans

4.1.1 Shareholders

SARU determines that all 14 provincial rugby teams may only have a maximum 49% private shareholding. This means that the remaining 51% of the team must be owned by the amateur body, which consists of clubs with little to no commercial value at all (planetrugby, 2016).

As discussed earlier, the researcher has found that in his experience, the limitation on outside shareholding is holding back the growth of professional rugby in South Africa. This is due to limited funding, which is directly linked to the fact that majority shareholding vests with the amateur leg of the sports. I believe that until this changes, and until South African rugby adopts the European model of private shareholding, it will be difficult for South African franchises to achieve financial stability and the much-needed competitive edge.

Currently, the Super Rugby franchises are monopolized by two commercial entities. The Sharks (Pty) Ltd, currently has two shareholders: the KwaZulu-Natal Rugby Union (KZNRU), at 51% and SuperSport as 49% shareholders.

The Sharks majority shareholder, the KZNRU, is the governing body for amateur rugby in KwaZulu-Natal. It presides over schools, club and development rugby in the province. All rugby-playing schools and clubs need to be affiliated to the organization. The KZNRU has no commercial value and is a not-for-profit entity. To remain a going concern, the KZNRU relies mainly on funds from The Sharks (Pty) Ltd as well as government grants and sponsorships. The KZNRU is affiliated to SARU and, along with the other 13 provincial unions, make up the president's council and governs rugby in South Africa (SARU, 2016).

The other Sharks shareholder, SuperSport, is the current owner of the broadcasting rights of rugby in South Africa. The international media, and especially journalists in the SANZAR countries, the SANZAR nations are South Africa, Australia and New Zealand (Robinson, 2014), have questioned the transparency of the process of acquiring the broadcasting rights. The Australian rugby union questioned the split between the value of Super Rugby and Currie Cup rugby in the broadcasting agreement. The reason for this is that only the portion allocated to Super Rugby is divided between other participating countries. At the time of Robinson's article, this was limited to Australia, New Zealand and South Africa. Argentina and Japan have entered the competition since 2016.

The value of SuperSport as a commercial shareholder to The Sharks is unquestionable. Apart from the value the shareholding offers from an equity point of view, SuperSport also provides a valuable communication platform through DSTV to present Sharks-specific television programmes to their supporter base.

Currently, the Sharks have two regular programmes on SuperSport 1 – the first and longest-

running of which is Sharkbite. This is a monthly documentary that shows the day-to-day interactions at a professional rugby franchise. It showcases everything from development rugby, through to sponsor interactions with the team as well as behind-the-scenes footage of the players.

The second series is called Sharks Gone Wild, a television series in the form of a reality wildlife TV documentary, featuring Sharks players. The aim of the programme is to raise awareness of and funds to combat rhino poaching and at the same time raises the celebrity profile of the players involved.

The value of the two television shows lies in the fact that they help to enhance the Sharks brand, creating loyalty towards and familiarity with the players. The programmes – and the commercial relationship with SuperSport – make it more possible to reach fans. Franchises with different shareholders do not have that same advantage.

The financial management section of the three-year plan set out in the attached business plan addresses the recapitalization of the Sharks through SuperSport's assistance. This again proves the unquestionable value of a sport-minded shareholder such as SuperSport. SuperSport's value as a shareholder of a professional sports franchise is not only in franchise funding, but also in its in-depth knowledge of the sporting landscape in South Africa and abroad.

Within this arrangement, the one question that will always be asked is whether a potential conflict of interest exists between the owner of the broadcasting rights as a shareholder and the Super Rugby franchise that competes in the competition being broadcasted. Regardless of the argument, SuperSport has shown itself to be a valuable shareholder for the Sharks in the past, and, with the recapitalization is positioned to be even more valuable in the future.

4.1.2 Sponsors

Sponsors have been a hugely important revenue stream for all sporting franchises. In this, the Sharks are no different. Sponsorships make up 38% of income generated by the union.

The sponsorship landscape has changed in recent times. Greater emphasis has been placed on the sponsor's ability to generate revenue from the association, rather than simply generating

exposure through the association with the sporting brand.

Several sponsors support The Sharks in different categories. Cell phone network provider, CellC has been The Sharks' title sponsor since 2014. Among other rights attributed to the title sponsor, effectively this means that the team is known as The CellC Sharks for the duration of the contract. Other sponsor agreements are formed out of individual rights packages ranging from cash payments to trade exchange deals, which allows for a sponsor to provide a product or a service to The Sharks. For a product or service to be deemed a sponsorship, the important criterion is that it should be able to be translated into a rand value for The Sharks.

In general, sponsorship contracts are usually in place for between one and three years. The team's results often play a role in the sponsorship negotiations. The more successful the team, the easier it is to procure sponsors.

The country's macro-economic landscape in the country also plays a role in whether companies are willing to spend money on sport: a tough economic environment reduces the ability to secure sponsorship deals. It is therefore clear to see that sponsorship revenue is a volatile revenue stream, dependent on numerous factors that are often outside the sporting team's control.

4.1.3 Employees

The Sharks employees are a diverse group of people that reflects the diversity of the nature of a sporting organization. The different departments within the organization include:

- Finance
- Human Resources
- Commercial and Marketing
- Stadium and maintenance
- Legal
- Medical
- Catering and Hospitality
- Rugby Academy

- Digital and Communication
- Rugby Coaching
- Retail and Ticketing

With so many different departments within the organization, it is evident that the staff compliment will be a diverse group of highly skilled individuals with vastly different skill sets. The success of the organization lies in communicating the values and culture of The Sharks to the employees and motivating them to live out those values within their daily work.

4.1.4 Players

The players contracted to The Sharks can be considered as the biggest asset. The players provide the product on the field that generates revenue through tickets sales, suite sales and retail sales of replica gear. Players also have a role in generating a secondary source of income through higher food and beverage sales on match days. When a team is successful, match attendance is high. In this, having the players on the field who generate good match results increases the traditional revenue streams in rugby. The business plan shows that traditional revenue streams are declining. Season tickets and suite sales have been on a steady decline since 2014 and the trend seems likely to continue in the short term.

With this in mind, it is important to source different revenue streams through new and previously unused avenues.

Through their celebrity profiles, players available to the union can be used to generate revenue. High profile players are often referred to as celebrity players. The right celebrity player will make the sporting brand he is linked to more attractive to both sponsors and fans. This will not only lead to higher revenue streams. It will also enhance the team's marketability and profile – particularly on non-traditional platforms like social media. The enhanced profile will allow for greater exposure for sponsors and other stakeholders alike. The only challenge is to monetize these platforms without damaging the trust of the fans – particularly within a social media environment. There is merit in conducting further research into how a sporting team can monetize social media through the celebrity status of their players.

4.1.5 Inter Companies

The Sharks has three Inter Companies, that have outside shareholding but where The Sharks holds the majority shareholding. They are separate entities that are created for profit.

The three companies are:

- The Sharks Academy (TSA)
- Sharks Medical
- The Sharks Kitchen (TSK)

The Sharks Academy was created to produce players who will be able to represent The Sharks at the highest level. The Sharks Academy has on average 250 players per year, aged between 18 and 21. The Sharks Academy is a profit-generating entity. Students are either on bursaries or pay fees to the Academy. The Academy's profit can be attributed to the help and facilities offered by The Sharks. Without the naming rights and the link to The Sharks brand it would have been extremely difficult for the Academy to attract the numbers and quality of players to the Academy. All the facilities are also offered to the Academy at no charge which helps to make the entity profitable.

Sharks Medical is an on-site medical practice serving the public from within the precinct of the stadium. The public is attracted by the notion that they will be treated by the medical staff of a top sporting franchise. The reality is that the practitioners at Sharks Medical are linked to The Sharks, but this link is through the Academy and the junior Sharks teams rather than the professional team. The Sharks generates revenue from renting the premises to the medical practitioners; and has the added advantage to have a full medical practice on site at the stadium in the event of any emergencies. In terms of the viability of the medical center, the question is whether the advantages of having a medical practice outweighs the possible threats to the Sharks brand of any potential medical malpractice.

Sharks Kitchen was formed in 2015 to monetize catering on match days. This has historically been outsourced to non-affiliated catering companies. Numerous kiosks operate during match

days, as well as 300 hospitality suites that potentially require catering. The reality is that not all the suites are subscribed and current suite owners have historical relationships with their own preferred suppliers

The nature of rugby matches, and an irregular events calendar at the stadium pose an additional challenge to The Sharks Kitchen: staffing. The Sharks Kitchen hires on average 160 casual staff per match. Staff costs are very high, staff turnover is high and it is also difficult to control the quality of the casual staff.

The Sharks Kitchen operates from a purpose-built kitchen at the stadium. This asset should be used more regularly to make it profitable and to justify set up costs involved in creating the kitchen. Currently The Sharks Kitchen provides lunchtime meals to Sharks Academy students and to the senior team. But these meals do not generate revenue for The Sharks: they are deemed to be a service, which is a cost to the union.

On average, The Sharks play 17 home matches per season. It makes no commercial sense to support a catering company to operate only on 17 trading days. The challenge for the Sharks Kitchen will be to create revenue opportunities outside of the home matches, and outside of the catering offered to senior and academy players.

4.1.6 Season ticket-holders

Season tickets are not just an important source of revenue to The Sharks. They represent an extensive fan marketing database that could create new revenue streams. That said, the number of season ticket holders has been declining in the last few years. In 2016, 9 634 season tickets were sold for a cash value of R16 million.

4.1.7 Suite-holders

Suite-holders are made up of businesses ranging from small to medium enterprises up to listed companies. Companies often hire a suite to entertain clients or to reward staff. Suites have also declined in the last few years for a range of different reasons. Suite revenue is the second largest

revenue stream currently available to the Sharks. In 2016 the suite revenue was R32.6m.

4.1.8 Supporters

Supporters are arguably the most important stakeholder for The Sharks. It is important to treat supporters with respect and communicate with them efficiently. The supporter, whether a season ticket holder, suite holder or a follower on a specific social media platform, should be seen as a valuable marketer for the franchise. It is therefore very important to communicate with supporters constantly to ensure that they know the values and the culture of the team and the organization.

4.2. Competitor Analysis

The three-year plan was formulated in response to a short- to medium-term strategic business analysis. The analysis considered The Sharks' positioning within the marketplace and then provided a business strategy to support a sustainable business. This comparison between competitors is extremely valuable as it provides an industry analysis and a competitor breakdown to determine where The Sharks is positioned within the marketplace.

Within South Africa, The Sharks compete with the following Super Rugby franchises:

- Western Province
- Blue Bulls
- Lions
- Cheetahs
- Eastern Province Kings

A brief look at each individual franchise will help to formulate a view on the current state of rugby as a business in South Africa. While rugby is currently the most successful national sport in South Africa after winning the World Cup twice, in 1995 and again in 2007 (Hoskins, 2014), the business behind the sport is not necessarily healthy.

- The Sharks was featured in the press in 2016, when a former CEO, Brian van Zyl, exposed financial problems and irregularities. Van Zyl claimed that the union was in a

dire financial position, and insisted that the financial statements of the commercial company be made available to the public (Van Zyl, 2016).

- In September 2016 the Blue Bulls made a public appeal to fans to support their team in the stadium. The article claims that attendance has dropped in recent years. As an example, the Blue Bulls administrators were sure that a semi-final home match would be sold out. Barend van Graan, Blue Bulls CEO, expressed his concern when only 11 612 of the 50 000+ stadium capacity had been sold by the Wednesday before the semi-final (Nel, 2016c). This is a clear indication that revenue had declined at the Bulls.
- The Lions is the most successful South African team in the last three years. It reached the finals of the Super Rugby competition in 2016. However, an article published in News24 in 2012 claimed that the Lions union was insolvent. The article claimed that the total liabilities exceeded the assets by R73m in 2010 (Mseleku, 2012).
- The Cheetahs, who was Currie Cup champion in 2016, received a R5m sponsorship from the Free State government. In an article written in SABC article claimed that the funds would go a long way towards easing the union's financial woes (Letshaba, 2016).
- In November 2016, Western Province announced that it had applied for and obtained an order for the provisional liquidation of WP Rugby Pty. WP Rugby Pty is the commercial trading entity of WP Rugby. The president of the WP Rugby union claimed that a smaller sponsorship pool, as well as declining gate and season ticket sales were some of the contributing factors impeding the financial sustainability of the union (Harrison, 2016).
- The Eastern Province Kings were placed under provisional liquidation in March 2016. The economic impact on the union and the players was devastating. SARU had to intervene and 36 professional players headed the liquidation order in a bid to recover money owed to them by the cash-strapped union (News24, 2016).

This brief competitor analysis demonstrates that the rugby model in South Africa needs to change. The financial pressures, as well as continued pressure from government to transform rugby at all levels (Department of Sport and Recreation, 2011), both on the field and in the administrative structures of the unions, emphasizes the need for a successful new inclusive business model.

CHAPTER 5: BUSINESS PLAN

5.1. Introduction

According to Lawrence and Moyes, a business plan has three primary functions:

1. To serve as an action plan
2. To serve as a road map
3. To serve as a sales tool

The action plan will help bring all the planning and big ideas that went into the iteration of the business plan into a simple action orientated document.

The road map will keep the company on track after starting to implement the action plan. With the day-to-day pressure of running a large organization, it is very easy to lose sight of the action plan set out in the beginning. The business plan and, more importantly, the road map will help to maintain the course.

The business plan can often also serve as a marketing plan and as a great sales tool. A well-written business plan will convince people close to you why the business venture will succeed (Lawrence & Moyes, 2013).

The Executive Summary of the business plan distils the entire plan. This is the introduction of the document in which the researcher provides a high-level overview of the business plan document.

The ultimate goal with this business plan was to develop an inclusive strategy that will enable rugby to become a sustainable business while at the same time ensuring the successful development and transformation of the sport at all levels of the organization. It also provides an insight into the direction of the research, which is the search for new revenue streams and the urgent need for a new business model to sustain and improve the already existing development and transformation programmes.

This document contains an overview of the current structures within The Sharks. It will detail

recent changes as well as identify opportunities and new potential structures and revenue streams.

The Vision is an important tool that portrays the organization's values and culture. As mentioned by Lawrence and Moyes, the business plan can be used as a sales tool. Communicating the company's values and vision will attract the attention of like-minded people who will be willing to invest in the business (Lawrence & Moyes, 2013).

Overview of Sharks Supporters serves as another level of sales and marketing contained in the business plan. The graph shows brand strength and illustrates team support of sporting teams in South Africa (Frontiers, 2015). The first three teams on the list are all national teams and therefore it is accepted that the three national teams have a bigger supporter base than the Sharks. The only non-national team that enjoys bigger support than The Sharks is Kaizer Chiefs. Founded by Kaizer Motaung in 1970 (Motaung, 2016), Kaizer Chiefs is a soccer team based in Soweto with a significant following in South Africa. The Sharks have a similar supporter base to the successful soccer team, which proves the strength of the Sharks brand.

The second page of the overview of Sharks Supporters statistics in the business plan is important as a means to show the geographical diversity of Sharks supporters. This is important as it proves that even though the Sharks are based in Durban, South Africa, its enjoys support across the country. It is interesting to note that there are more Sharks supporters in the Gauteng province than in their home province of KwaZulu Natal (Repucom, 2015b). The Avid Sharks Fan demographic on the same page shows that, with 56% of black male support, the Sharks successfully changed the perceived historical, white-only rugby supporter base in South Africa, into a more inclusive supporter base.

The overview of Sharks supporters provides a summary of the Sharks' strength as a brand and the franchise's marketing reach. This is important because it is often difficult to value a sporting team. The reach and brand strength of a franchise is often used to determine the value of a sporting franchise.

Stakeholders Overview: as shown in the business plan, the shareholding of The Sharks (Pty) Ltd is important as it shows what the researcher points out as a flaw in South African rugby's constitution. As the governing body of South African rugby, SARU determines that all 14 provincial rugby teams may only have maximum 49% private shareholding. This means that

the remaining 51% of the team must be owned by the amateur body, which consists of clubs with little to no commercial value at all (planetrugby, 2016).

In my opinion, the limitation on outside shareholding is holding back the growth of professional rugby in South Africa. The reason for this is that the majority shareholding vests with the amateur body, which limits funding capacity. I believe that until this changes, and until South African rugby adopts the European model of private shareholding, it will be difficult for South African franchises to achieve financial stability and the much-needed competitive edge.

As mentioned in the executive summary of the business plan, part of the goal of The Sharks as a business and sporting franchise is to create an inclusive business on all levels. When considering the breakdown of employees, and in this case, more specifically the administration staff at the union, it is clear that The Sharks has transformed at an administration level.

Revenue: the revenue slide shows the breakdown of revenue streams that make up The Sharks' total income. These streams reflect all the revenue generated from Sharks activities and controlled by the Sharks. A significant revenue stream not reflected on this page is television broadcasting rights. This is because SARU conducts the broadcasting rights negotiation. These negotiations are also conducted in conjunction with the other participating countries in Super Rugby.

The broadcasting rights distributed to the South African Super Rugby franchises increased from R14m in 2016 to R31m in 2017. This is a 58% increase in television broadcasting rights in one year. In a presentation to SARU in 2014, Gerhard Steyn, Financial Controller at SuperSport, points out the fact that broadcasting rights will become increasingly more important to the total franchise income. The declining traditional revenue streams make the increase in broadcasting rights that much more important (Steyn, 2014).

The revenue slide also points out the need to create additional revenue streams because suite leases and season tickets are declining. Other avenues should to be explored to make the business sustainable. It will therefore be beneficial to explore how stadium facilities, social media platforms and other avenues can be monetized to create revenue not traditionally associated with professional rugby in South Africa.

Three-year plan: the three-year plan laid out on the contents page lists possible ways to address the current state of the business in terms of its financial position. It also looks at how to curb spending and avoid financial wastage. This will be done by properly implementing risk and compliance processes.

The plan also aims to explore new revenue streams and details the plan of how to maximize the new revenue opportunities.

The three-year plan considers the importance of development and transformation within South African rugby, and proposes a sustainable model for its long term success. The plan ends with a detailed section on financial management. The business plan will detail a purpose-built model which proposes a unique revenue projection model. This model is important to accurately project what revenue should be included in the following year's budget. This is an exciting development. The nature of sport means that the on-field results of a sporting franchise affects the off-field financial results of the organization. The financial management section of the business plan addresses the company's current financial reality. It will provide a strategy to improve the organization's cash flow and profitability in the medium term, which will ensure the business's long-term viability.

5.2. Elements of the business plan

The following elements of the business plan will be discussed in further detail:

- Revenue Streams
- Three-year plan
- Risk and compliance
- Stadium eventing
- Monetizing social media/launch of application
- Development and transformation
- Financial management

5.2.1. Revenue streams

The Sharks' revenue streams are currently broken down as follows:

- Sponsorships 38%
- Suite leases 16%
- Test match 16%
- Season tickets 8%
- Functions and beverages 5%
- Stadium advertisement 5%
- Retail 4%
- Stadium naming rights 3%
- Home match revenue 2%
- Rental income 2%
- Marketing 1%
- Stadium hire 1%

5.2.1.1 *Sponsorship*

Sponsorship revenue is the largest revenue stream currently available to The Sharks.

Currently, the Sharks' five main sponsors are:

- CellC
- Kyocera
- Durban Tourism
- Fidelity
- Micromega

In total, 27 different sponsors in different categories support The Sharks.

In 2016 The Sharks implemented a system to track the return on investment (ROI) on each sponsor's property to determine the fair value of the property. This would enable us to report

back in a scientific way to the sponsor and to prove the value of the relationship to the individual stakeholder.

As shown in Table 1, the sponsorship revenue has grown consistently from 2013 to 2016, as follows:

| | |
|------|--------|
| 2013 | R25.3m |
| 2014 | R41.2m |
| 2015 | R43.4m |
| 2016 | R45.5m |

Table 1: Sponsorship revenue

5.2.1.2 Suites

Suites are currently The Sharks (Pty) Ltd's second largest revenue stream, but this has declined since 2013. The decline can be attributed to various factors, including, among others, changes in corporate governance that prevents companies from entertain clients, albeit that this applied primarily to financial services companies. With the economic environment in the country, company restructuring and job losses, businesses are finding it difficult to justify spending money on a suite while cutting costs in their organization. There has also been a general decline in stadium attendances and this has affected suites as well as season tickets. Table 2 shows suite revenue from 2013 to 2016.

| | |
|------|--------|
| 2013 | R33.6m |
| 2014 | R34.8m |
| 2015 | R34.2m |
| 2016 | R32.6m |

Table 2: Suite revenue

The suite revenue has declined slightly between 2014 and 2016.

5.2.1.3 Test Match

In the last few years, test matches have presented the third biggest revenue stream. It is difficult to accurately determine the real economic impact of a test match to The Sharks: many variables are involved with a test match at the stadium.

The first and most important factor to consider is the visiting team that will be playing against South Africa at the stadium. SARU demands a hosting fee or a guarantee that has to be paid to SARU by the hosting union to secure the right to host a test at the stadium. The guarantee depends on the team playing against the Springboks, and ranges from R6 000 000 to R12 500 000 for each test match.

The economic effect of a top international team playing at the stadium is understandably higher than that of a lower ranked international team. In 2015, when the Springboks played Argentina at the stadium, match attendance was 33 550. In 2016, when the Springboks played the current world champions New Zealand at the stadium, the test match was sold out, with a capacity crowd of 54 328 in attendance. The quality of the opposition also impacts season tickets and suite sales as the test match is included in the offering of both suites and season tickets.

These variables make it difficult to determine the net effect of hosting a test match. The revenue generated from hosting a test was determined through an economic impact assessment to understand the impact that a test match in Durban had on the provincial economy. The total

economic impact of hosting the All Black test match held at Kings Park in October 2016 was R314 950 000. This shows the value that hosting a test holds not only for the organization but also for the host city (Nielson, 2016).

5.2.1.4 Season Tickets

Season ticket holders represent the fourth largest revenue stream for The Sharks. A tough economic environment and dwindling stadium attendances have led to a large decline in this revenue stream in recent years. Season ticket numbers reached a peak in 2009, when 19 280 season tickets were sold. In 2016, just 9 634 were sold.

It is important to remember that in 2016 the Sharks season ticket includes an All Black test match that would have positively influenced sales. At the time of writing, no test match is confirmed for the Sharks in 2017, which will influence the 2017 budget.

Table 3 shows season ticket revenue from 2013 to 2016.

| | |
|------|--------|
| 2013 | R20.8m |
| 2014 | R20.1m |
| 2015 | R17.7m |
| 2016 | R16.0m |

Table 3: Season ticket revenue

Season ticket revenue has showed a steady decline since 2013.

The revenue streams described above account for more than $\frac{3}{4}$ of the total revenue generated by The Sharks. This revenue excludes broadcasting rights. The remaining smaller revenue streams as listed above provides for the balance. The business plan will present a commercial model to increase stadium events revenue by including food and beverages. It will be essential to ensure new revenue streams to replace the current declining revenue streams. Avenues to monetize social media and the celebrity status of the players are currently being explored to potentially create new revenue opportunities.

5.2.2 Three-year plan

5.2.2.1 Risk and Compliance

The first step identified in the business model that needs to be addressed is the implementation of a risk and compliance model. This is required to protect the interests of the company by ensuring uncertainty does not deflect the endeavor from the business goals. A Red Flag report was created to flag the risks as identified by each business unit, assigning a rating to each identified risks, as well as implementing correctives measures to mitigate material risks.

Figure 6 shows a risk rating scale that is used to calculate the rating for each risk:

| Rating scales: | | | | | | |
|----------------|-------------------|--------------|--------------|----------------|-------------|--------------------|
| Impact | 1 = insignificant | 2 = minor | 3 = moderate | 4 = moderate + | 5 = major | 6 = extreme |
| | < R10k | R10k < R50k | R50k < R200k | R200k < R500k | R500k < R1m | R1m+ |
| Probability | 1 = rare | 2 = unlikely | 3 = possible | 4 = possible + | 5 = likely | 6 = almost certain |
| | < 1% | 1 < 5% | 5 < 20% | 20 < 50% | 50 < 80% | >80% |

Figure 8: Risk rating scale

The risk and compliance model is a management tool and will be used to reduce the probability of a material financial risk. When the appropriate manager identifies the risk early, it can be reduced. The risk weighting relates to the possible impact on the business's finances. The risk model will be known as the red flag report, and will be discussed in the operations committee (OPSCO) on a bi-weekly basis.

The compliance management section will comprise an initial list of all laws and regulations that might potentially have an impact on The Sharks. This will include internal policies and procedures and will ensure compliance with these policies.

Strategy

1. Risk management

- The OPSCO meetings where the Red Flag is discussed should be scheduled in advance and take place bi-weekly
- The meetings should be used to identify mitigating controls and resources required to manage the identified risks

2. Compliance management

- Each of the laws and regulations should be allocated to a compliance representative or manager, who should ensure that The Sharks comply with the specific laws and regulations

In addition, all staff will be held accountable to ensure compliance with laws and regulations. This compliance will form part of each employee's key performance indicators (KPIs) which will be linked to annual increases in future.

Table 4 sets out a summary of all the laws, regulations and internal policies that may have an impact on The Sharks' business:

| <u>Labour</u> |
|--|
| Basic Conditions Of Employment Act No.75 Of 1997 |
| Employment Equity Act No.55 Of 1998 |
| Broad Based Black Economic Empowerment Act No.53 Of 2003 |
| Labour Relations Act No.66 Of 1995 |
| Compensation For Occupational Injuries And Diseases Act No.130 Of 1993 |
| Occupational Health And Safety Act No.85 Of 1993 |
| Skills Development Act No.97 Of 1998 |
| Skills Development Levies Act No.9 Of 1999 |
| Unemployment Insurance Act No.30 Of 1966 |
| Unemployment Insurance Contribution Act No. 4 Of 2002 |
| |

| |
|--|
| <u>Finance</u> |
| Income Tax Act No.58 Of 1962 |
| Values Added Tax Act No.89 Of 1991 |
| Companies Act No.71 Of 2008 |
| Non-Profit Organisation Act No.71 Of 1997 |
| |
| <u>Stadium</u> |
| Liquor Act 2003 No.59 Of 2003 |
| Tobacco Products Control Act No.57 Of 2002 |
| Safety At Sport And Recreational Events Act No.2 Of 2010 |
| |
| <u>Other</u> |
| National Sports And Recreational Act No.110 Of 1998 |
| Consumer Protection Act No.68 Of 2008 |
| Administrative Adjudication Of Road Traffic Offenses Act |
| Children Act No.38 Of 2005 |

Table 4: Summary of laws and regulations

5.2.2.2. Stadium Eventing

The Sharks are based at Kings Park Stadium, which has a capacity of 54 000 seats. In addition to the stadium seating, it also includes more than 300 hospitality suites, 10 rugby fields around the stadium and numerous venue rooms. On average, the stadium is used for 17 home matches every year. Apart from stadium employees and rugby teams training, the stadium is mostly unused for the remainder of the year.

The Sharks owns many underused venues. The business plan includes a spreadsheet of scenarios that could generate more revenue, including renting out individual event rooms and offering a turnkey solution for corporate functions, birthdays, team building and so on. By using our on-site service providers, including but not limited to the on-site liquor store, cleaning

staff and security we will be able to maximize the profit generated through the eventing department.

As shown on the spreadsheet on page 16 of the business plan, the net profit after costs to The Sharks is projected from just over R4m in year one, to almost R5.3m in year five.

5.2.2.3. *Monetizing social media and fan engagement*

The Sharks has the largest following of any provincial rugby team in South Africa (Frontiers, 2015), and is also among the top 10 South African sport bodies on both Twitter and Facebook (Repucom, 2015c). Currently, South African sporting teams' social media following has not been monetized to the extent that it provides a regular revenue stream for the organization. In addition to its large social media community, The Sharks also has a supporter base whose demographics reach beyond the boundaries of Durban and KwaZulu-Natal. The Sharks has more supporters in Gauteng than in Durban, with 37% of Sharks supporters living in Gauteng and 31% of supporters living in KwaZulu-Natal (Frontiers, 2015).

At the time of writing, The Sharks is rolling out a digital application that targets loyal fans from all across the globe to constantly interact with the organization through innovative content. This will not only build stronger relationships with the brand but it will also unlock new revenue streams for the organization. Historically, the rugby supporter in South Africa is average age 39, 65% male and 33% Afrikaans (Repucom, 2015a). The application will allow The Sharks to successfully reach out to a different and younger demographic group.

Tanya Buckley, head of content at Magna Carta Reputation Consultants says that: "Your brand story lives beyond a catch phrase or tagline, it needs to make a connection with people, beyond their interaction with your product or service – that's how you stand out from the crowd." (Wronski & Goldstuck, 2016).

The application will form part of a fan engagement platform, with a multi-stage approach. Stage one will be to reach Sharks fans through rich and interesting content. Stage two will be to gain a better understanding of the fans interacting on the platform. Stage three will be to communicate important information, events and products to a specific audience. Stage four is

to unlock new revenue streams through a payment portal and increase existing retail revenue streams through improved accessibility.

The application can be monetized through:

- Free download with in-app purchases
- Sponsorship and advertising sold on the platform to interested outside organizations
- Merchandise sales through an online store hosted on the application
- Exclusive content subscription, described in Table 5 below

| Subscription | Fee/pm | Total | App store/ Fanhero 50% | Sharks 50% per month |
|---------------------|---------------|-----------------|-----------------------------------|---------------------------------|
| 5000 | 50 | R250000 | R125000 | R125000 |
| 15000 | 50 | R750000 | R375 000 | R375000 |
| 25000 | 50 | R1250000 | R625000 | R625000 |
| 50000 | 50 | R2500000 | R1250000 | R1250000 |

Table 5: Revenue from social media

Table 5 shows the revenue that could be generated by charging a R50 monthly subscription fee for Sharks fans to access exclusive content on the application which could include exclusive coaching videos, early releases, monthly digital magazine and other options exclusive to the member. This creates a potentially significant monthly revenue stream for The Sharks. The Sharks currently has more than 500 000 followers on Facebook and Twitter alone (Repucom, 2015c). Based on the assumption that fewer than 10% of the fans will become subscribers at

R50 per month, the annuity income stream equates to R1 250 000 per month and R15 000 000 per annum to the organization.

5.2.2.5. *Development and transformation*

“Sports remains a highly contradictory enterprise that, on the one hand, brings people and communities together, albeit for short periods of time...On the other, it divides people through its very nature of having winners and losers...The question we must continually examine is who are the winners and losers...”(Desai, 2010).

Although South Africa is a sport-loving nation, its apartheid history excluded non-white residents from participating in sport and having access to sporting facilities. Sport has historically been seen as a divider rather than a unifier of South African people. As an example, in 2015 a legal bid was launched to prevent the national team from travelling to England to play in the Rugby World Cup. The applicant argued that government, along with SARU, had failed to ensure that the national team reflected the South African demographics. The presiding judge, Judge Mavundla, stood the matter down for the parties to discuss transformation in rugby (BusinessTech, 2015).

In the “Transformation Charter for South African Sport” (Department of Sport and Recreation, 2011), transformation is defined as a process of “holistically changing the delivery of sport through the actions of individuals and organizations that comprise the sport sector to ensure that there is increased access and opportunities for all South Africans, that the socio-economic benefits of sport are harnessed and that the constitutional right to sport is recognized” (Charter, 2011). The failure to transform is described as the “no 1 critical risk to rugby in South Africa” (SARU, 2014). The 2014 Strategic Transformation Plan shows that 16% of the Springbok team in 2014 was ‘black African’ and sets a target of 60% black African representation by 2019 (SARU, 2014).

It is an undeniable fact that rugby in South Africa is involved in a race to transform. That said, politicians and many others in South Africa are questioning the effectiveness and success of development and transformation plans within rugby in South Africa. While there are groups who believe that transformation has had its successes, many others claim that transformation is superficial and can be interpreted as mere window dressing (Cupido, 2014).

“Four key imperatives underpin SARU’s values: transformation, growth, winning and financial sustainability. These are based on the needs of all SARU’s stakeholders and are inter-dependent. Therefore, success is only possible if all four are equally realised.” (Steyn, 2014).

The need for a sustainable transformation programme is extremely important for the sustainability of rugby in South Africa. The researcher raises some questions regarding SARU’s to ensuring the success of the development and transformation of rugby in South Africa.

In 1993, immediately after South Africa’s re-entry to international rugby, SARU committed R13m to fund a general rugby development programme in previously disadvantaged areas in South Africa (Desai, 2010). That was 23 years ago. At today’s value, in 2016, R13m equates to R51 496 343 (*assumptions: R13 000 000 PV, 23 N , 6% inflation I/YR).

The researcher assessed the SARU consolidated income statements for the period 2008–2016. In its 2008 income statement, SARU allocated R101m to fund development. Converted to present value in 2016 terms, this equates to R163 028 413 (*assumptions: R101 000 000 PV, 8 N, 6% inflation I/YR).

SARU’s income statements show that the budgeted spend allocated for development was removed from the budget in 2015 and 2016, with no funds allocated for development funding.

SARU might argue that the responsibility for transformation and development lies with the individual unions and the funding provided to the unions through broadcasting rights should be used to fund development programmes. The researcher does not deny that an amount of responsibility lies with the individual unions. However, as the governing body of rugby in South Africa, SARU’s approach is flawed – and especially so when considering the political pressure and the race to transform rugby in South Africa.

Development and transformation of rugby in KwaZulu-Natal is currently the responsibility of the KZNRU. However, the KZNRU is a non-profit organization, and desperately requires funding to successfully and sustainably manage development programmes in the province. The vision of KZNRU’s development and transformation department is to transform rugby in KwaZulu-Natal into a game that is seen to be inclusive of all races, ages and genders, while creating a strong development pipeline that will eventually add to success of the professional team.

The KZNRU currently runs a successful mass participation programme that reaches throughout the province. SARU recognizes the current rugby development programme as an outstanding one, and the provincial government also support and recognizes the program. The Member of the Executive Council (MEC) of sport in KZN Mrs Bongiwe Sithole-Moloi endorsed the programme and the work done throughout the province.

However, the reality is that with reduced government spending and the increased pressure on the private sector, less funding is available. This could compromise the program, which will have to be reduced.

But cutting back on any transformation programme in rugby is not negotiable. A sustainable funding model is required, not only to sustain the mass participation programme but also to convert mass participation into high performance, and to produce athletes capable of playing at the highest level. In the researcher's opinion, the fact that transformation in rugby has historically been the responsibility of the amateur body which has no commercial value, and is mostly reliant on government grants and corporate social investment, (CSI) funding is a huge risk.

At a board level The Sharks took a decision to integrate the KZNRU staff onto the commercial side of the organization. This will allow provincial rugby development efforts to have access to quality staff in areas like finance, commercial and marketing. This will supplement the already competent staff who have been employed to roll out the very important transformation programmes. While the closer working relationship will alleviate some of the duplicated administrative costs, this does not offer a solution to successfully fund the programmes.

Two areas have been identified as requirements for building a successful development programme that will lead to an inclusive sporting brand at The Sharks.

- Sustainable funding
- Multi-tiered asset based development programme

Development funding

The funding will have to be reliable for the programme to be sustainable. The researcher has already addressed the volatility and risks related to the practice of relying solely on government grants as well as CSI funding from corporates. As an incentive to large organizations, 1% of

turnover may be allocated to CSI projects. This allocation will be used for social cohesion projects, which will allow for the organization to benefit on their B-BBEE scorecard.

It should be noted that the proposed model does not discard government grants and CSI funding. Rather, the model proposes to move away from the volatility of these income streams, caused by possible budget constraints and cuts at government and corporate level. The KZNRU is registered as an NPO and it is important that it maintains this status. This allows funding from government and from companies seeking to allocate CSI funding to rugby to be channeled through the NPO. However, as discussed earlier, a programme of such vital importance to The Sharks' future should not rely on such a volatile revenue stream.

The researcher therefore recommends that the budgeted amount for the entire programme be moved to The Sharks (Pty) Ltd. This will ensure the continuation and the success of the development program, as well as creating a sound platform to expand and improve the current program. The funding to the development programme will be derived from the allocation of commercial rights to sponsors and partners of the development program.

The Sharks (Pty) Ltd will allocate the following rights to development funding:

- Hospitality suite
- Match day tickets
- Stadium parking
- Match day promotions
- Advertising in Sharks Magazine and match day program
- Big screen advertising
- LED advertising scroll advertising during matches
- Player appearances
- Invitations to Sharks events
- Exposure on Sharks Super Rugby and Currie Cup match day jerseys.

The total value of the allocated rights available is in excess of R12m.

Multi-tiered asset based development program

It is proposed that the current programme be expanded into a three-tier development programme

+ Tier 1: Mass participation (current structure)

+ Tier 2: Asset based community program

+ Tier 3: Elite development programme

This will allow for a secure pipeline of quality players that will ensure that more local non-white players are represented in our provincial teams at different age groups

Tier 1

Current programme serving children from 550 schools in 52 hotspots, reaching 16 500 learners per annum. This tier is extremely important as it ties in with the government's goal for mass participation.

Tier 2

The goal of this tier is to allow the best and most talented players identified in tier one to be accommodated in identified schools within each KZN sub-union. Through its development committee, The Sharks is in the process of identifying the schools in each sub-union and if necessary acquiring the funding options to provide for the boarding facility required at each school. A significant advantage of this stage is that it is possible to invest time and resources in the individual's education and coaching and to ensure that he receives the correct nutritional support to allow for his ultimate development as a potential professional rugby player.

Tier 3

This tier will serve to develop the identified individual and accommodate him into an elite player development program. This will be done through two possible avenues, which will be confirmed after conducting an in-depth feasibility analysis.

- Purpose-built elite center: this will be a facility that accommodates the elite rugby players identified in Tier 1 and Tier 2 and will provide life skills, education, nutrition and high level skills coaching
- The goal for the elite center is to ensure that once an individual goes through the Sharks Development programme, he will be equipped for a career in rugby as well as successful life after sport

If both the funding and the programme can be structured as outlined in the business plan, the researcher believes that it will lead to a successful and sustainable development program. This success will lead to a more inclusive sport within KwaZulu-Natal province while successfully achieving the targets set out by government.

I feel strongly that, more important than merely achieving government targets, this programme and the structure of it will ensure quality and the sustainable transformation, growth and development of rugby. It will be sustainable because it will allow for the establishment of proper rugby structures at school, ward and district level, which will in turn lead to community empowerment. The community will be empowered because they will see the pathway created for coaches, players, referees and administrators from within their community through the asset based community program. The Sharks will also benefit from this programme because it will provide quality players, referees and administrators from within the province and it will also convert mass participation to high performance.

5.2.2.6 Financial Plan

A sound financial plan will be essential to the success of any professional sporting organization. Throughout the world, sporting franchise funding can be divided in two different sections. The sporting industry in the world has two operating models:

The State model and the Market model(Vaczi & Berkes, 2010), as laid out in Table 6.

| | State model | Market model |
|-----------------------|---|--|
| Source of funding | Government subsidies | Business revenues |
| Budgetary constraints | Soft | Hard |
| Owner | No real owner exists | Real owner exists |
| Operating framework | Non-profit: public association | For profit: business entity |
| Role of sports | Reinforcing political regime, improving public morale | Providing services as part of the entertainment industry |

Table 6: *State model and market model*

The comparison between the state model and the market model can be applied to the South African sporting landscape. The revenue from the state model in South Africa is in the form of government grants and CSI funding from corporates. The revenue from the market model is generated through rights owned by the sports team.

The quest for new revenue streams throughout rugby is essential to replace the declining traditional revenue streams as previously discussed in the business plan. It is important to understand the nature of rugby as a business, especially in terms of budgeting and preparing financial projections for the following financial year, as well as medium term financial planning for the organization.

Funding received from government and CSI allocations will contribute to the success of the transformation and development programmes. That said, as proposed in the business plan the responsibility should be transferred to the commercial entity. This will ensure the creation of high level sustainable transformation programmes that will provide a legacy both in the form of players on the field but also in the communities through the asset-based community programme proposed in the business plan. The cost for the development will become a fixed cost in The Sharks' budget, with the revenue being generated through the rights package attributed to development and transformation.

The market approach (Vaczi & Berkes, 2010) is the most appropriate for a rugby franchise in South Africa, particularly in the context of the information presented earlier and the unique challenges that faces sport in general and specifically rugby in South Africa.

A financial plan for rugby is extremely important and also ever-changing. However, the

revenue is unpredictable and costs escalate above inflation every year. These are important challenges when structuring a financial plan. Being able to accurately predict revenue for the coming year within the financial model will allow for expenses to match the revenue, to present a break-even or positive budget that can stimulate profit.

The researcher addressed the state of South African rugby franchises and the financial health of the individual business earlier on in the business plan, demonstrating that all the six South African rugby franchises have run into financial trouble in recent times. The researcher's simple conclusion is that the financial plan and business model of the teams are flawed and that South African rugby franchises expenses exceed their revenue in a specific financial year.

The reason for this is that there is pressure on teams to perform, and performance for a sporting team is measured mostly with on-field results. To achieve the desired on-field results, teams aim to recruit and contract the best players and coaches. The economic principle of supply and demand applies and the market value of the best players increase more than the franchises' revenues are able to increase. The huge demand on South African players by overseas clubs inflate the asking price of a top South African player even more.

The researcher also believes that there is a correlation between the franchise's revenue and the results of the team during any given year. The team results, combined with the strength of the brand and its appeal to sponsor and fans alike all contribute to the organization's revenue. But how can revenue for a rugby franchise in South Africa be predicted?

Sponsorship revenue is easier to predict than the revenue generated from season tickets, suite hire and match day events. Sponsorship revenue is generated through a signed contract between the sponsor and the organization. These contracts have a start and end date, and the financial consideration is also clearly set out. It is more difficult to predict revenue streams that are correlated the rugby offering. This can either be the performance of the team, the change in coaching staff and the allocated test match assigned to be played at the stadium.

In association with Gerhard Steyn, the researcher developed a revenue forecast model to be used when projecting revenue for budgeting purposes for rugby franchises.

5.2.2.7 Revenue projection model

The objective of the revenue projection model is to determine the factors that influence the sale of season tickets. Determining this successfully will help to determine a budgeted season ticket revenue for the following year. The model will compare historical season ticket sales for the Sharks, and will then look at factors that influence the movements in sales. Figure 7 shows season tickets sold between 2004 and 2016.

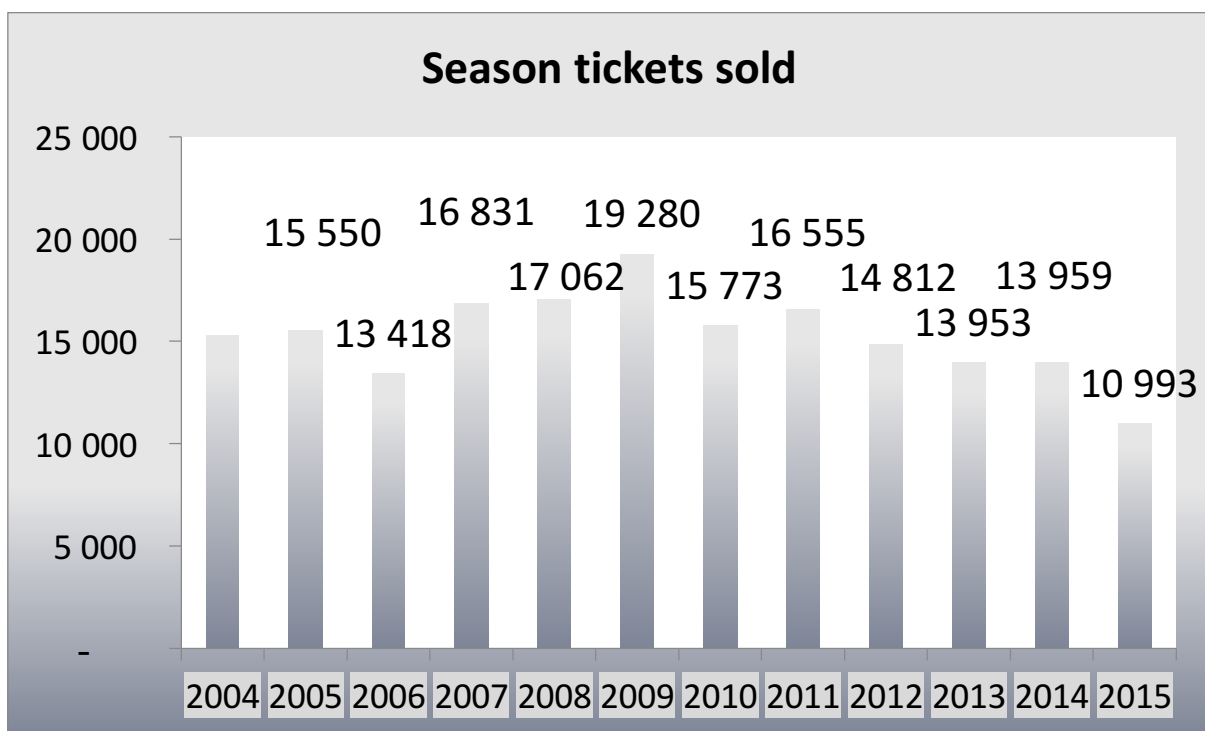


Table 7: Season tickets sold

The factors influencing the sales of season tickets were:

- International content, which is the test match hosted at the stadium the following year. It is more lucrative to host the All Blacks than, for example, hosting Italy. This has a direct effect on season ticket prices as the test ticket is included in the season ticket offering.
- Sharks team performance in Super Rugby and the Currie Cup in the previous season is

also deemed to have a direct effect on ticket sales. The season ticket sales campaign for the following year is launched days after the Currie Cup ends and the prevailing emotions from a good or bad season affects the sales.

International content

Table 8 shows a key for the revenue model. It attributes a value for each international team, to determine the impact that international content has on revenue streams such as season tickets. British and Irish Lions (B&I Lions), is a team made up from England, Ireland, Wales and Scotland. The British and Irish Lions tour once every four years.

| KEY | |
|-----|----------------------|
| 25 | B & I Lions |
| 24 | All Blacks |
| 21 | Australia |
| | England |
| | France |
| 18 | Wales |
| | Argentina |
| 13 | Samoa/Scotland/Italy |

Table 8: Key for revenue model

Table 9 shows the international matches played at Kings Park since 2004, and allocates an appropriate weighting to each.

| Year | Internationals | Team |
|------|----------------|----------------------|
| 2004 | 21 | Australia |
| 2005 | 21 | France |
| 2006 | 20 | No Test |
| 2007 | 24 | All Blacks |
| 2008 | 21 | Australia |
| 2009 | 25 | B & I Lions |
| 2010 | 20 | No Test |
| 2011 | 21 | Australia |
| 2012 | 21 | England |
| 2013 | 13 | Samoa/Scotland/Italy |
| 2014 | 18 | Wales |
| 2015 | 18 | Argentina |
| 2016 | 24 | All Blacks |

Table 9: International matches played at stadium

Team performance

In the same way as the international content has been graded, a key was awarded for Sharks team performance. Table 10 shows the Sharks' performance key.

| KEY | |
|-----|---|
| 10 | 1st on Log, Home Semi, Home Final, Win Final |
| 9 | 1st on Log, Home Semi, Home Final, Lose Final 2nd on Log, Home Semi, Home Final, Win Final |
| 8 | 2nd on Log, Home Semi, Away Final, Lose Final |
| 7 | 1st on Log, Lose Home Semi |
| 6 | Play-offs, Lose away Semi, Lose Away Final |
| 5 | 2nd on Log, Lose Home Semi Play-offs in Super Rugby, Lose Away Semi |
| 4 | 6th, 7th in Super Rugby |
| 3 | 4th or 5th on Log in CC, Lose Away Semi |
| 3 | 5th in CC 8th, 9th in Super Rugby |
| 1 | 11th - 15th in Super Rugby 6th - 8th in Currie Cup |

Table 10: Sharks performance key

Each performance was allocated a value according to the key shown in Table 10, to provide a total number of points for the Sharks' team performance during a specific year. This is shown in Table 11.

| Year | Super Rugby | Currie Cup | Total |
|------|-------------|------------|-------|
| 2003 | 4 | 3 | 7 |
| 2004 | 4 | 3 | 7 |
| 2005 | 1 | 3 | 4 |
| 2006 | 5 | 3 | 8 |
| 2007 | 9 | 5 | 14 |
| 2008 | 5 | 10 | 15 |
| 2009 | 4 | 7 | 11 |
| 2010 | 3 | 10 | 13 |
| 2011 | 4 | 5 | 9 |
| 2012 | 6 | 9 | 15 |
| 2013 | 3 | 9 | 12 |
| 2014 | 6 | 3 | 9 |
| 2015 | 1 | 1 | 2 |

Table 11: Sharks team performance in given season

The next step in the revenue projection plan will be to plot on a graph the total number value attributed to each team performance, as well as the international content. The Y axis of the graph plots the score, whereas the X axis of the graph plots the number of season tickets, as shown in Table 12.

| Year | Season tickets sold | Internationals | Team performance of previous year | Internationals and Sharks team performance |
|------|---------------------|----------------|-----------------------------------|--|
| 2004 | 15 310 | 21 | 7 | 28 |
| 2005 | 15 550 | 21 | 7 | 28 |
| 2006 | 13 418 | 20 | 4 | 24 |
| 2007 | 16 831 | 24 | 8 | 32 |
| 2008 | 17 062 | 21 | 14 | 35 |
| 2009 | 19 280 | 25 | 15 | 40 |
| 2010 | 15 773 | 20 | 11 | 31 |
| 2011 | 16 555 | 21 | 13 | 34 |
| 2012 | 14 812 | 21 | 9 | 30 |
| 2013 | 13 953 | 13 | 15 | 28 |
| 2014 | 13 959 | 18 | 12 | 30 |
| 2015 | 10 993 | 18 | 9 | 27 |

Table 12: Combined number

The total number – Internationals and Sharks team performance — is then plotted on the graph depicted in Figure 7.

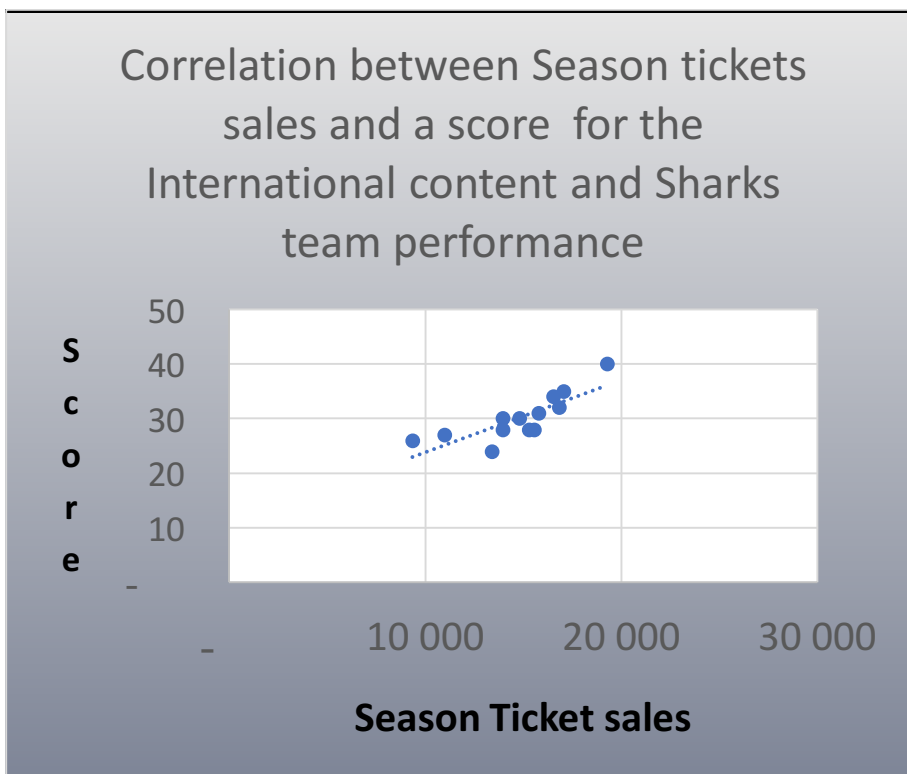


Figure 9: Correlation between season tickets sales and score for international content

Although the team’s performance and international content partially explains the increases and decreases in the sale of season tickets, another factor is also driving the fluctuations. The researcher determined that brand loyalty has an influence on the sales of season tickets.

A number needs to be added to the previous combined score of the international content and team performance to explain a 100% correlation between the annual season ticket sales and the score for the factors that influence the sales. This score or number will be called brand loyalty.

Table 13 depicts this score between the table, team performance and total score.

| Year | Season tickets sold | Internationals | Team performance of previous year | Brand loyalty | Total score |
|------|---------------------|----------------|-----------------------------------|---------------|-------------|
| 2004 | 15310 | 21 | 7 | 11.00 | 39.00 |
| 2005 | 15550 | 21 | 7 | 11.58 | 39.58 |
| 2006 | 13418 | 20 | 4 | 10.42 | 34.42 |
| 2007 | 16831 | 24 | 8 | 10.69 | 42.69 |
| 2008 | 17062 | 21 | 14 | 8.25 | 43.25 |
| 2009 | 19280 | 25 | 15 | 8.62 | 48.62 |
| 2010 | 15773 | 20 | 11 | 9.12 | 40.12 |
| 2011 | 16555 | 21 | 13 | 8.02 | 42.02 |
| 2012 | 14812 | 21 | 9 | 7.79 | 37.79 |
| 2013 | 13953 | 13 | 15 | 7.71 | 35.71 |
| 2014 | 13959 | 18 | 12 | 5.73 | 35.73 |
| 2015 | 10993 | 18 | 9 | 1.54 | 28.54 |

Table 13: Brand loyalty

The researcher’s conclusion is that the fluctuation in annual season ticket sales can be attributed to a combination of international content, Sharks team performance and brand loyalty. This is illustrated in Figure 8.

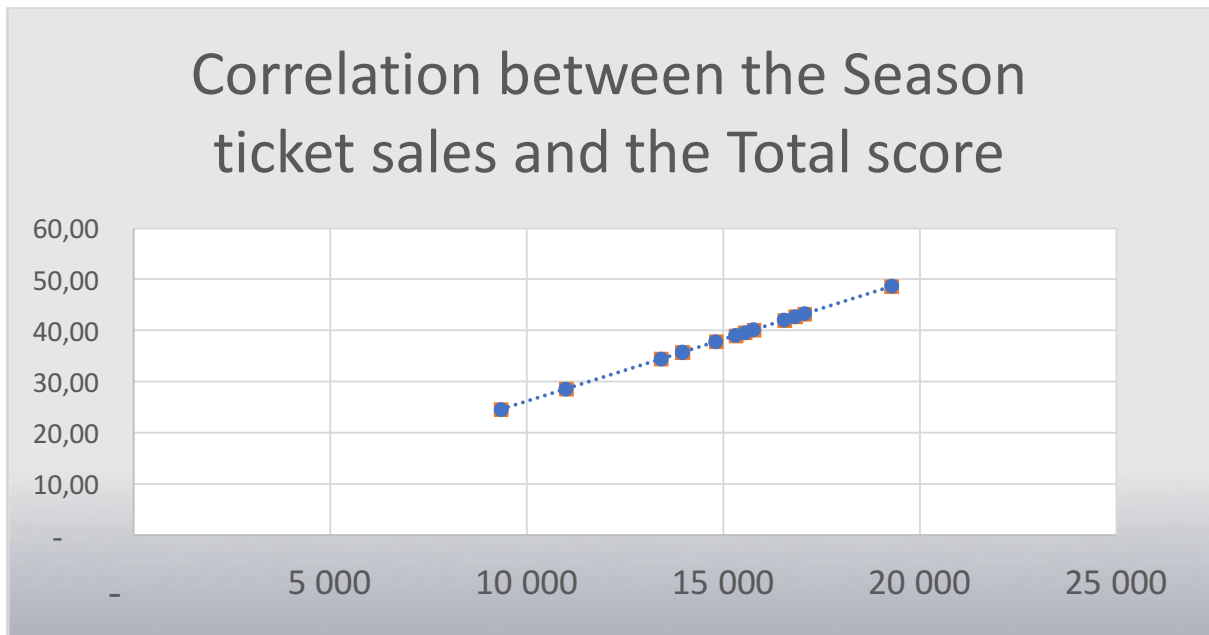


Figure 10: Correlation between season tickets and total score

Brand Loyalty

It is important to understand brand loyalty and what influences it. I believe that brand loyalty is influenced by a number of factors. These could be a change in the competition structure, a change of coach, the quality of the squad contracted to the Sharks and the current economic environment, among others. Table 14 depicts factors influencing season ticket sales, plotted against particular events that took place during the year in question. Based on this comparison, it can be said that brand loyalty in the rugby context is a highly emotive factor.

| Year | Brand loyalty | Yearly variance of brand loyalty | Explanation |
|------|---------------|----------------------------------|---|
| 2004 | 11.00 | | |
| 2005 | 11.58 | 0.58 | |
| 2006 | 10.42 | -1.16 | Super 12 change to Super 14 |
| 2007 | 10.69 | 0.27 | |
| 2008 | 8.25 | -2.44 | Change of coach - Dick Muir replaced by John Plumtree |
| 2009 | 8.62 | 0.38 | |
| 2010 | 9.12 | 0.50 | |
| 2011 | 8.02 | -1.10 | Super 14 changed to Super 15 |
| 2012 | 7.79 | -0.22 | |
| 2013 | 7.71 | -0.08 | |
| 2014 | 5.73 | -1.98 | Change of Coach and Management |
| 2015 | 1.54 | -4.19 | Change of Coach - Jake White replaced by Gary Gold |

Table 14: Factors influencing sales

Table 14 shows the significant impact these factors have on season ticket sales. Supporters have lost confidence in the brand. A number of significant changes in 2016 may have an impact on brand loyalty:

- Change in Super Rugby competition structure
- Change in Currie Cup competition structure
- Loss of senior players after a World Cup year. The years 2006 and 2008 saw a drop in confidence due to the change in format in 2007 and change in coach in 2008. Change of coaches in 2011, 2014 and 2015 shows a negative variance in brand loyalty.

These factors, combined with the team's weak performance in the Currie Cup and Super Rugby Tournament, will be masked by hosting an All Black test in 2016. If the team's performance does not start improve significantly in 2016, the full impact of these factors on season ticket sales will only be felt in 2017.

Determining the budget for 2017 using the projection model

Assuming the brand loyalty drops by three points as result of the changes to the competitions and losing senior players, hosting an All Black Test in 2016 and a Welsh Test in 2017 (not yet

confirmed at time of writing), and repeating the team’s 2015 performance, the numbers will emerge as depicted in Table 15:

| Year | Season tickets sold | Internationals | Team performance of previous year | Brand loyalty | Total score |
|------|---------------------|----------------|-----------------------------------|---------------|-------------|
| 2004 | 15310 | 21 | 7 | 11.00 | 39.00 |
| 2005 | 15550 | 21 | 7 | 11.58 | 39.58 |
| 2006 | 13418 | 20 | 4 | 10.42 | 34.42 |
| 2007 | 16831 | 24 | 8 | 10.69 | 42.69 |
| 2008 | 17062 | 21 | 14 | 8.25 | 43.25 |
| 2009 | 19280 | 25 | 15 | 8.62 | 48.62 |
| 2010 | 15773 | 20 | 11 | 9.12 | 40.12 |
| 2011 | 16555 | 21 | 13 | 8.02 | 42.02 |
| 2012 | 14812 | 21 | 9 | 7.79 | 37.79 |
| 2013 | 13953 | 13 | 15 | 7.71 | 35.71 |
| 2014 | 13959 | 18 | 12 | 5.73 | 35.73 |
| 2015 | 10993 | 18 | 9 | 1.54 | 28.54 |
| 2016 | 9345 | 24 | 2 | -1.46 | 24.54 |
| 2017 | 6870 | 18 | 2 | -1.46 | 18.54 |

Table 15: Integrating brand loyalty

The drop in international content and poor team performance along with low brand loyalty translates to a decline in season ticket revenue since 2014, as shown in Table 16:

| Year | Season tickets sold | Decrease year on year | Rand value of decrease (Excl VAT) | Rand value of decrease (Excl VAT) compared to 2014 |
|------|---------------------|-----------------------|-----------------------------------|--|
| 2014 | 13 959 | | | |
| 2015 | 10 993 | -2 966 | R -3 057 061 | R -3 057 061 |
| 2016 | 9 345 | -1 648 | R -1 698 596 | R -4 755 658 |
| 2017 | 6 870 | -2 475 | R -2 550 987 | R -7 306 645 |

Table 16: Application of model on revenue

It is not difficult to adjust the revenue from for example, season ticket sales, down based on the model developed, and accordingly also adjust the expenses to compensate for the loss in revenue. However, should there also be a focus on how to address the loss of confidence of the supporters in the brand? If brand confidence returns, revenue will return.

The main aim for The Sharks will be to build the brand value through good performances from its team on the field. At the same time, it is important to ensure stability among the coaching staff and recruitment of the squad.

To conclude, in the financial management section of the three-year plan set out in the business plan, the revenue will be generated through contractual obligations between sponsors and advertisers. The other revenue streams will come from sources directly correlated to rugby. The revenue projection model above used season tickets as the basis to explain the design of the model. However, it is possible to use the same model to project revenue for other rugby-related revenue streams. These will be suite sales, retail, match day ticket sales and food and beverage sales at the stadium.

An essential part of the financial management of any professional rugby franchise is managing expenses, and the case study around the Sharks is no different. By far, the largest expense items are player contracts and team expenses. It is important to formulate a strategy around restricting player spend.

The rise in player salaries is currently exceeding inflation. If these are not kept in check they could have serious financial implications for a professional sporting franchise.

In an interview with John Swain, who was chairman of the Sharks' financial committee from the late 1990s until 2015, Swain proposed a contracting model that the researcher has found to be a sound way to budget for player contracting spend. Swain suggested that the organisation linked player contract spend to recurring revenue. In the context of this interview, recurring revenue is defined as all the revenue streams that are likely to be constant and which can be projected for the following year. These included but were not limited to sponsorship revenue, broadcasting rights, season tickets, suite sale and advertising revenue. The recurring revenue did not include test matches and once-off payments such as bonuses for winning competitions. Nor did it include other revenue streams that were considered to be too risky to include in the recurring revenue calculation. Swain suggested capping player spend at 35% of total recurring

revenue. He recommends that the total rugby budget, including coaches, does not exceed 50% of recurring revenue.

If applied correctly, the value of this model is that the player budget and rugby spend will fluctuate with the increase or decrease of revenue. The positive side of this model is that it will prevent the company from spending more than it can afford, which can lead into financial difficulties – as rugby organizations have experienced both in South Africa and abroad (Harris, 2016).

5.2.2.8 *Current reality business plan*

From a financial perspective for The Sharks (Pty) Ltd, The Sharks, like the other franchises in South Africa, are facing financial hardship. The challenge is to create a business model that provides a sustainable financial future for the sport, not only ensuring growth with regard to the professional side of rugby, but also ensuring that the model will be able to fund development and transformation of rugby in South Africa.

The Sharks' finances and accumulated losses were well documented between 2014 and 2016. The Sharks board replaced Brian van Zyl, the incumbent CEO, who served the union from 1994 until 2013, with a young but high-profile former-Springbok captain, John Smit. Smit's profile and lack of experience received extensive press coverage at the time. Smit had recently retired from a very successful playing career which had culminated in a Rugby World Cup victory in 2007 (Greenaway, 2009). He was appointed to CEO of The Sharks directly after his retirement.

News of financial irregularities broke in the press immediately after Smit took office. He and The Sharks board ordered a forensic investigation into the union's finances and the management under Van Zyl (Clarke, 2014).

The Sharks finances made the press again in July 2016, when Van Zyl asked the union to release financial statements of the previous financial year. Van Zyl believed that the union was technically insolvent and that the company could no longer be considered as a going concern (Van Zyl, 2016). In an open letter written to the media, Van Zyl cited his belief that The Sharks had accumulated losses in excess of R60m. He demanded that the financials be released to the press he believed this to be a matter of public interest.

John Smit resigned in July 2016 and was replaced by Gary Teichmann, who had been extremely successful rugby player himself. Teichmann captained both The Sharks as well as South Africa with great success (Teichmann, 2000). The difference between Smit's and Teichmann's appointments was that Teichmann already had an extremely successful business and was a respected businessman in his own right.

The priority of the new CEO and the board, led by chairman and successful businessman Stephen Saad, was to address The Sharks' finances and provide a financial plan for the union. The researcher was tasked with providing the plan, in conjunction with a team appointed by The Sharks (Pty) Ltd board of directors. The financial plan set out in the business plan reflects the final plan presented to and approved by the board of directors.

5.2.3. Financial Plan

The Sharks has experienced financial difficulties during recent times, primarily driven by an ever-increasing player budget and decreasing match day attendance and season ticket sales. Given the nature of professional rugby, which is the Company's and Group's core operation, positive cash flows are generated during the rugby season months of February to October each year. A plan is in place to improve the profitability over a three-year cycle by reducing the loss before tax of R32.7m in 2015 to a projected loss before tax of R4m in 2016, eventually leading to a profit before tax in 2019. Table 17 shows a financial summary from 2008 to 2016.

| SHARKS | | | | | | | | | |
|---------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 -FC |
| Net profit/(loss) | -2,452,857 | -1,058,537 | -2,748,478 | -2,385,508 | -1,114,437 | -22,925,336 | -7,298,868 | -35,997,883 | -3,975,460 |
| - Interest paid to Shareholders | 19,375,200 | 17,222,400 | 9,149,400 | 9,820,377 | 13,939,467 | 10,867,874 | 8,333,333 | 8,333,333 | - |
| Adjusted profit/(loss) | 16,922,343 | 16,163,863 | 6,400,922 | 7,434,869 | 12,825,030 | -12,057,462 | 1,034,465 | -27,664,550 | -3,975,460 |
| Retained Loss | | | | | | | | | |
| - Opening Balance | -3,137,501 | -5,590,358 | -6,648,895 | -9,397,373 | -11,782,881 | -12,897,318 | -35,822,654 | -43,121,522 | -79,119,405 |
| - Loss for the year | -2,452,857 | -1,058,537 | -2,748,478 | -2,385,508 | -1,114,437 | -22,925,336 | -7,298,868 | -35,997,883 | -3,975,460 |
| Closing Balance | -5,590,358 | -6,648,895 | -9,397,373 | -11,782,881 | -12,897,318 | -35,822,654 | -43,121,522 | -79,119,405 | -83,094,865 |

Table 17: Financial summary 2008 -2016

The key drivers of the plan are to implement strict controls that will reduce the total rugby budget to an acceptable percentage of recurring revenue. This would adjust the rugby budget to 55% and player contracts to 40%. At the same time, the plan seeks to secure new revenue streams. The suggested policy will be phased in from 2017 as follows:

| | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|
| Team expenses as % of recurring revenue | 67% | 64% | 59% | 58% |
| Players contracts as a % of recurring revenue | 51% | 47% | 43% | 42% |

Table 18: Proposed percentage spend linked to recurring revenue

Since an annual test match at Growthpoint Kings Park is not guaranteed, the recurring revenue is calculated as all gross revenue less gross test match revenue. The projected recurring revenue for 2016 to 2019 is:

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue (Gross) | 197,763,447 | 177,918,793 | 186,689,542 | 196,799,906 |
| Non recurring: Test match income | 24,013,053 | 12,475,000 | 12,885,000 | 13,335,000 |
| Recurring Revenue (Gr) | 173,750,394 | 165,443,793 | 173,804,542 | 183,464,906 |

Table 19: Projected recurring revenue 2016 -2019

Revenue is projected to be made up as follows:

| % of Revenue | 2016 | 2017 | 2018 | 2019 |
|---------------------|-------------|-------------|-------------|-------------|
| Suite Leases | 16% | 18% | 18% | 17% |
| Sponsorships | 38% | 40% | 40% | 40% |
| Season Tickets | 8% | 7% | 8% | 8% |
| Home Match Rev | 2% | 2% | 2% | 2% |
| Test Match | 12% | 7% | 7% | 7% |
| Shark Cage | 4% | 4% | 4% | 4% |
| Functions & Bev | 5% | 5% | 4% | 5% |
| Naming Rights | 3% | 4% | 4% | 4% |
| Rental Income | 2% | 3% | 3% | 4% |
| Stadium Ads | 5% | 6% | 6% | 6% |
| Marketing & PR | 1% | 1% | 1% | 1% |
| Stadium Hire | 1% | 1% | 1% | 1% |
| Other | 1% | 1% | 1% | 1% |

Table 20: Projected revenue 2016 - 2019 broken down

5.2.4. Balance Sheet Recapitalization

The shareholders are committed to the business and have approved the recapitalization of The Sharks' balance sheet. This will be the issue of ordinary shares that will inject R20m into The Sharks. SuperSport will effectively acquire an additional 9% shareholding in The Sharks, increasing its shareholding from 40% to 49%. KZNRU will remain as the majority shareholder, with a 51% shareholding. In addition, preference shares to the value of R20m will be issued to SuperSport. The preference shares are equity in nature with no terms of repayment and no interest or dividends payable.

5.2.5. Strategy

- 1) Review and amendment of financial policies and procedures
 - A procurement policy has been drafted and plans are in place to integrate the policy with the current accounting system, ACCPAC. The implementation of the procurement policy should ensure future savings on the procurement of goods and services and will also assist with the procurement element of the B-BBEE Act.

- Other policies will be reviewed and amended with guidance provided by the financial committee.
- 2) Establish highly effective and knowledgeable audit and finance committees
- A financial committee is in place, comprising members with the relevant backgrounds and expertise. However, the committee should operate in accordance with an approved terms of reference (ToR) and meetings should be scheduled according to a year planner. Both the ToR and year planner have been drafted and are ready for review by the finance committee.
 - An audit committee will have to be established at a KZNRU group level, chaired by an independent non-executive member. The ToR and year planner for the audit committee has been drafted and is ready for review.
- 3) Review of monthly management accounts, including cash flow management
- The monthly management accounts have been amended to include a forecast which is used to calculate the projected cash flow balances. The forecast is critically important for planning purposes, but it involves the active participation of each line manager to provide the Chief Financial Officer (CFO) with any material variances, positive or negative, from the approved budget.
 - A formal process will be established to improve the communication of financial information between the CFO and line managers.
- 4) Presentation of timely, accurate and relevant information to ensure effective decision making
- The implementation and improvements document in points 1 to 3 above should ensure that accurate and relevant financial information is presented on time.

The business plan above, including the recapitalization plan and the change in shareholding, was approved at board level and Stephen Saad, Chairman, Sharks (Pty) Ltd, announced the changes at a press conference on 21 June 2016 (Lewis, 2016).

CHAPTER 6: DISCUSSION

6.1 Transformation: What lies ahead

With South Africa's return to the international sporting arena in 1992, much emphasis was placed on sporting administrators to transform South African sport. The world's eyes were fixed on South Africa and politicians and critics scrutinized national teams with few or no black athletes.

South African rugby had the added challenge of breaking the stigma attached to the sport. Historically rugby was seen as predominantly an Afrikaner sport. With the success of the Springboks and the team's profile on the international stage, transformation of rugby became a political priority for the South African government. Nelson Mandela believed that he would be able to reach the white Afrikaner and achieve his goal of multiculturalism in South Africa (Pienaar & Griffiths, 1999) through rugby.

The government did its best to fast-track transformation and political pressure on teams became relentless. Minister of Sport, Mr Fikile Mbalula threatened action against sporting teams that did not reflect the rainbow nation (Ngoepe, 2016). The government placed much emphasis on developing sport in rural areas, with mass participation programmes rolled out across the nation. These initiatives would open up rugby in previously disadvantaged areas to create a solid base of black rugby players (Desai, 2010).

The success and impact of these programmes can be widely debated. In reality, even though rugby is showing growth at grassroots level, representation at an elite level remains under the targets set out by government. The demand for players of colour to be included through all levels of the game has had a negative impact on rugby in historically strong non-white rugby clubs.

Jaguars rugby club in KwaZulu-Natal has historically been a powerhouse of rugby in the province. Over the years, the club has produced international players like JP Peterson and Waylon Murray (Desai, 2010). But the success of Jaguars in producing players of colour to

play at the highest level, was also to their detriment. In an interview, Francois Louis, the newly elected president of the KZNRU and a long standing Jaguars official, blamed the historical white clubs for poaching their best players. Louis added that the white clubs do so to avoid investing into developing their own players of colour, finding it easier to poach the finished product from Jaguars (Desai, 2010).

The problem is not constrained to Jaguars in KZN. It is a nationwide problem. In his personal experience, the researcher has witnessed the need to have players of colour fast tracked into professional teams ruin the lives of the young men involved.

In just one example, Solly Tyibilika played for South Africa and was the first black player to score a try in a test match for South Africa. Born in a township in Port Elizabeth, he was a very talented player and was fast tracked into professional rugby. Tyibilika went from not having any income to being a highly paid international sportsman. The researcher, who was friends with Tyibilika, recalls how he quickly adapted his lifestyle to fit in with his new-found wealth. Tyibilika lost his rugby contract due to discipline issues and he was later murdered in a shebeen. The tragic incident shocked the rugby world (Capostagno, 2011).

The researcher found that often a player's development stops as soon as he is chosen for a professional franchise. After studying Solly Tyibilika's case, the researcher suggests that complete transformation in sport will have to be accompanied by a player development programme (PDP). This will be especially important if the players do not have the required support to cope with the pressures and demands of professional sport and more specifically to this case study, rugby.

The stark reality in South Africa is that 50%, of the population lives in abject poverty (Department of Sport and Recreation, 2011). The transformation charter of South Africa states that: "The essence of a sport transformation strategy has to be multi-dimensional and focused on changing demographic profiles on and off the field of play, ensuring equitable access and resource availability, skill and capability development on and off the field play; extensive community involvement with a view to provide participation opportunities and to identify potential talent; and building and shaping relationships with its future support and spectator base, future leaders and decision-makers on the basis of broad-based community engagement. This approach will drive and shape sport's future demographic profile" (Department of Sport and Recreation, 2011).

The Department of Sport and Recreation South Africa (SRSA) is set to invest R1bn per annum on sport development programmes for the next three years, from 2013 – 2016 (Department of Sport and Recreation, 2013). Governments around the world have different reasons for allocating funding to sports. One reason is to elevate national pride (Mitchell, Spong, & Stewart, 2012), but another reason is also to deliver on election promises made. The SRSA 2015/2016 annual performance plan allows for R988.5m to fund their strategic goals (Strydom, 2015). The goal is driven by the department's Active Nation programme, a mass participation programme to which the SRSA allocated 64% of their budget. The allocation of government funding in sport in South Africa contrasts with other countries. In South Africa the focus is on eradicating the inequalities of the past, while in other countries the focus is predominantly on winning medals to enhance national pride (Luiz & Fadal, 2011). It is clearly evident from the SRSA 2015/16 annual plan that the South African government is targeting mass participation and transformation in sport (Department of Sport and Recreation, 2015).

The case of Solly Tyibilika shows that transformation within South Africa should be viewed with a holistic perspective: the individual should be respected. While I do not believe that one should consider mass participation to be a failure, the true success will lie in empowering individuals through sport to become successful South Africans. There is undoubtedly a need for mass participation programmes in South Africa. However, I found that for athletes to be competitive on the international stage there is a need for development in elite sport.

The United Kingdom (UK) won 28 medals at the 2000 Olympic Games, after having increased spending on elite sport from \$A125m per year in 2002 to \$A250m per year in 2008. Canada increased the spend on elite sport from \$A75m in 2005 to \$A110m in 2009. Their medals increased from 14 medals in 2000 to 18 medals in 2008 (Mitchell et al., 2012). There are obvious differences between Canada, the UK and South Africa — the most important difference being the levels of inequality in South Africa compared with both Canada and the UK. However if the findings in Mitchell's research can be adapted to the South African context, the researcher believes that it is possible to solve the glass ceiling in South African rugby, to coin a term created by Oregon Hoskins (Hoskins, 2014).

Oregon Hoskins served as president of SARU from 2006 to 2016. In his paper titled "The Glass Ceiling in Rugby: Tackling the Advantage Line", he claims that despite the efforts of government and SARU to facilitate mass participation programmes in disadvantaged areas since 1992, the professional game in South Africa is still dominated by white players (Hoskins,

2014). The lack of black players in our professional teams often evokes anger among media and politicians, and SARU has been called to parliament on numerous occasions to explain the slow transformation in South African rugby (Parliament, 2011). Hoskins claims that black players are found in the lower levels of rugby but the numbers in the national team has shown very little growth between the period 1995 – 2014. In 1995 the team included one black player and in 2014 three black players. (Hoskins, 2014).

The school system in South Africa provides a pipeline of quality young players who are selected in the provincial schools' tournament held annually, called The Craven Week. Provincial unions and Super Rugby franchises approach the best young talent during this week. Young rugby players are offered contracts or bursaries to join the professional teams and are then exposed to the elite private academies run by the professional rugby unions.

Since 2008, rugby-playing universities have joined a competition called the Varsity Cup, a tournament played on a Monday night which is televised live on local television. The opportunity for exposure on live television leads the universities to ensure that they recruit the best available players to ensure success in the competition. The Varsity Cup, along with the academies funded by the provincial unions, has created a pipeline of top young talented rugby players that provide elite athletes for the provincial rugby teams that feed into our national team. The system described above can be compared to an elite development program, held in countries like Canada and the UK. The only difference is that the Canadian and UK programs are privately funded and don't rely on government funding.

South African schools bear the legacy of apartheid policies, with sports such as rugby, cricket and swimming maintaining a high white/middle-class profile (Adair, 1995). The majority of top rugby playing schools in South Africa are historically white schools and provide the majority of national team players (Hoskins, 2014).

Hoskins mentions that in a recent study of South African schoolchildren aged between six and 13 showed that there were significant differences in fitness scores and morphology of children of different ethnic origins. White children were generally bigger and scored higher in the fitness tests than coloured and black children. These differences were largely eliminated when socio-economic status was improved. (Hoskins, 2014).

The conclusion that can be drawn from the study used by Hoskins is that, as long as inequality exists in South Africa, the sole use of mass participation development programmes will not

provide a pipeline of young top level black players to feed into our professional rugby systems. An elite player development programme for young black players is required. As Hoskins suggests, if players cannot break the glass ceiling in rugby will suffer adverse consequences in South Africa.

The continued political pressure on rugby will eventually have a negative effect on sponsors and stakeholders in the professional game. For sponsors, the association with a sport that is not seen as inclusive of the entire South African population presents a reputational risk, and sponsors will be reluctant to support the game. Rugby as a business presents an immense opportunity. It could create a success story of a sport that once divided a nation, but which transformed itself into a fully inclusive nation-building sport that will attract fans and sponsors alike.

6.2. The development solution for rugby in South Africa

For rugby in South Africa to be fully representative and to be deemed an inclusive sport in the South African context, the glass ceiling preventing black players to feed into the professional structures needs to be broken. In the research I have established that:

- The South African government provides funding for mass participation programmes in previously disadvantaged areas.
- The development of rugby currently lies with the amateur division within the 14 SARU member provinces and are mostly reliant on government grants and CSI funding from corporates.
- The school system in historically white areas provides a pipeline of quality players that feed into our professional teams.
- Young white players are physically different from their black counterparts, due to the different socioeconomic background of the players.
- There is a good representation of black players in the lower levels of rugby but numbers decline within the professional structures.

I used the information at my disposal, as well as my position within a professional organization, to provide the following solution to ensure that rugby is successfully developed in previously disadvantaged communities. This success will be measured by the number of quality black players who get the opportunity to play the sport at the highest level. With more non-white players in our professional teams, the demographics of the rugby player in South Africa will represent the population of the country. This will ensure that rugby will no longer be limited to any one group or any culture again.

6.2.1 The game plan for transformation in South African rugby

I believe that the only way for transformation in rugby to succeed is if it is presented at a high level – and more importantly, if it is sustainable. The current structure in South African development rugby is flawed. I have found that it has not successfully changed the demographic of the professional rugby player in South Africa. The lack of funding poses a significant risk to the sustainability of programmes and prevents the establishment of much-needed elite rugby development programmes.

As set out in the business plan, the responsibility for development should rest with the commercial arm of the professional rugby franchise. The current scenario where development rests with the amateur body will need to be changed. The risk of relying on government funding and CSI funding to sustain these important programmes not only places the current programmes at risk but also prevents the much-needed expansion into elite development programmes. It is therefore imperative that the development of rugby funding be underwritten by the commercial entity. As stated in the business model the amateur body will still apply for funding and CSI spend through their NPO status, but the integrity of the programme will not be affected should the allocated funding be reduced or cancelled.

I recommend that the budgeted amount for the entire programme is moved to The Sharks (Pty) Ltd. This will ensure the continued success of the development programme, as well as creating a sound platform to expand and improve the current program. The budget for the funding the development programme on The Sharks' side will be derived from allocating commercial rights to sponsors and partners of the development program.

The Sharks (Pty) Ltd will allocate the following rights to development funding:

- Hospitality suite
- Match day tickets
- Stadium parking
- Match day promotions
- Advertising in Sharks Magazine and match day program
- Big screen advertising
- LED advertising scroll advertising during matches
- Player appearances
- Invitations to Sharks events
- Exposure on Sharks Super Rugby and Currie Cup match day jerseys.

The total value of the allocated rights available is in excess of R12m.

The current cost of the Sharks' mass participation development programme amounts to roughly R5m per annum. The remaining additional funding after the current programme has been paid for will be used to build an elite development programme.

As shown earlier in the research, athletes who participated in an elite sporting programme performed better on the international stage.

As discussed earlier, schools that were historically regarded as traditional white schools produce a stable pipeline of top young players that gets absorbed into our professional rugby academies and universities. The challenge that the researcher identified is to bridge the gap between mass participation programmes and the professional sporting academies found at provincial and university level.

6.2.2 Proposed structure

I therefore propose the following structure:

To bridge the gap between mass participation and professional academies, the development programme will be adapted to a three-tier programme, depicted in Figure 11.

The programme will work from the bottom up.



Figure 11: Three-tier development program

- The first tier will be the traditional mass participation programmes that are currently run by the Sharks throughout the province. The programmes are structured according to the government requirements and should be approved for government funding. However as stated previously, the responsibility of the programmes and the funding will be underwritten by the Sharks. This will allow the community to participate in sustainable, professional programmes.
- The second tier will be rolled out in the form of an asset-based community program. The goal in this level will be to have five schools in the province that have been developed in the five KZNRU sub unions, which are:
 1. Durban Sub Union (DRSU)
 2. Northern KZN Sub Union (NKZNRUSU)
 3. Southern KZN Sub Union (SKZNRUSU)
 4. Zululand Sub Union (ZRSU)
 5. Midlands Sub Union (MRSU)

The schools in each of the sub-unions will be based in the community. Using capital investment from or sponsorships secured by The Sharks (Pty) Ltd, the school will be equipped with a boarding establishment. This purpose-built establishment will host the best talent identified during the mass participation programmes, called Talent ID programmes.

The boys will be housed at the school closest to their home and will be provided with quality coaching, education and nutrition. The boys will be monitored by a professional team of doctors, educators and life coaches who will provide feedback to the parents or guardians of the young rugby players. While the emphasis will be on rugby, education and life skills will be equally important. The players who prove themselves during this stage will be accommodated in an elite development center. The remaining young rugby players will still be cared for and accompanied until they successfully complete their schooling and become successful members in their community.

- The third tier will be an elite development center. The elite development level is for athletes who have been earmarked to become professional rugby players. This center will be in Durban. The athletes will be placed at a traditional rugby school with a boarding establishment. They will be offered a quality education and close supervision. This will allow the young players to be exposed to the pressure of playing rugby at a competitive level. The goal of the elite development level will be to help the young player adapt to life away from his community, and equip him with the vital skills he will need to deal with the pressures of professional rugby.

In conclusion, through the research we have learned that development programmes will need to be approached in stages or tiers as illustrated, to successfully transform rugby. The mass participation programmes will allow previously disadvantaged communities to be exposed to rugby. As a minimum requirement for success, the programmes will need an elite approach, with infrastructure and top coaches, to ensure that the development of these young players continues.

Local government has expressed the importance of creating facilities in disadvantaged areas to promote sports. However, this will not be designed to promote rugby specifically and it is unlikely to produce a pipeline of top young black players who will one day represent South

Africa. The responsibility will lie with rugby to promote rugby, and not in the way it has historically been done.

The radical change will need to take place at the point where responsibility for development is moved to the commercial entity, which is currently responsible for the professional teams at The Sharks. Once that change is complete and the funding is secured through commercial rights, as described above, the next stage will be to create an elite programme supported by infrastructure and expertise. The asset-based development programme will ensure that the young talented athletes will receive all the necessary tools to be successful.

What does success of the elite programme look like?

I believe that the elite development programme will be successful when it both produces top black rugby players, and also imparts skills that build educated, successful individuals who will ultimately impact their community in a positive way. Only then will development rugby programmes be effective and allow for rugby to be considered an inclusive sport that can impact a nation.

6.3 Player retention

There is an urgent need to address the issue of player retention and to curb the exodus of players leaving South Africa to play abroad. At the end of 2015, SA Rugby Annual counted 280 top level players playing abroad. During 2016, at least 45 additional players left South Africa to play overseas (Nel, 2016b). These numbers support the upward trend of players leaving since 2009. Table 21 shows the continuous exodus of players leaving South Africa since 2009 (Steyn, 2014).

| Overseas based players | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Total SA based players based at overseas clubs | 236 | 233 | 203 | 221 | 233 | 256 |
| Springboks (previous and current) based overseas | 27 | 33 | 31 | 37 | 43 | 46 |

Table 21: Players based overseas

It is concerning to note that the number of Springboks leaving South Africa has increased at a steady rate compared with non-Springbok players. Their departure will have a marked impact on the quality of South African teams playing in both Super Rugby as well as in the Currie Cup competitions. The absence of the top players will remove what I have identified as the celebrity impact of these players.

My research has shown that the absence or presence of top players, and their celebrity status, has an impact on revenue generated from the competition. The revenue model included in the business plan revealed a direct correlation between success on the field and increased revenue. The presence of the top players will add to the success on the field. Equally important is the celebrity status of the top players and the weight it adds to what I defined as brand value in the revenue model.

The effect of top players being available to play in South Africa can be linked to what Downward and Dawson referred to as competitive balance in sport. Competitive balance in sport uses attendance tracking as an indicator of competitive balance, and is based on the assumption that spectator interest will be higher when the competition is reasonably even (Owen et al., 2002). This is usually regarded to be as applicable to rugby union as to other team sports. Extensive literature is available on modelling the effect of competitive balance on attendance, and to a lesser extent, the effect it might have on television audiences (Downward & Dawson, 2000). In the South African context, the loss of the best players to overseas clubs decreases the competitive balance and will ultimately negatively affect revenue.

I am confident that further research, and particularly research into monetizing social media, will provide a further link between high profile players, the brand and social media – and the potential revenue streams that can be generated through the relationship between the three areas mentioned.

Ultimately, the question will be what the relationship is between developing an inclusive business model for rugby, and the effect that player exodus will have on the success of developing this business model. The answer is simple. For a business to maximize its revenue streams, it will have to ensure that it can provide the best possible product to the market. In the case of rugby, the most important element of the on-field success of rugby is the quality of top players. As the research shows, there is a direct correlation between on-field success and increased revenue.

As discussed, the constant outflow of players from South Africa, and especially the exodus of top players, will have, and already has had a negative impact on the organization's revenue. In the proposed solution to the problem of creating an inclusive business model for rugby – which has been explained in the attached business model – I found that the commercial entity should underwrite the funding of the transformation programmes. This will ensure the sustainability and the success of transformation and development programmes in rugby. The departure of celebrity players causes declining revenue. This revenue erosion will eventually place increased pressure on the development and transformation programmes that are funded through the sale of commercial rights of the professional body.

The debate around how to keep top players in South Africa is currently ongoing.

The model currently applied in New Zealand rugby is simple but it seems extremely effective. The New Zealand national rugby team is known worldwide as the All Blacks. New Zealand rugby has achieved constant success at both provincial and international level. The New Zealand Super Rugby franchises have won the Super Rugby competition 15 times since 1996 - more than both South Africa and Australia (SANZAR, 2016). The All Blacks is the only team to have won the Rugby World Cup three times. It has been the number one-rated team on the World Rugby rankings since 2008 (worldrugby.org, 2016).

The success of New Zealand rugby is not linked to the number of players available in the country. Table 22 shows that South Africa has 67% more senior players, and nearly four times

as many pre-teens playing rugby, when compared with New Zealand (Lambert & Durandt, 2010).

| Age Group | South Africa | New Zealand | Australia |
|------------------|---------------------|--------------------|------------------|
| Pre-teens | 239 614 | 63 924 | 25 609 |
| Teens | 148 779 | 40 257 | 20 002 |
| Senior | 84 522 | 27 203 | 37 179 |
| Total | 472 915 | 131 384 | 82 790 |

Table 22: *Number of rugby players in southern hemisphere*

This shows that the quality of the player available in the country is much more important than the number of players available. SARU only contracts a small number of Springboks to keep the best players in South Africa. It was reported that 20 players received national contracts from SARU in 2016 (Burnard, 2015).

In contrast to the South African model, the New Zealand Rugby Union contracts all professional players through centralized national contracts. This effectively means that the New Zealand Rugby Union (NZRFU) has monopsony power in terms of the market to contract players in New Zealand rugby (Owen et al., 2002). The NZRFU does not only contract an elite pool of All Blacks – as is the case in South Africa. It also contracts all the Super Rugby players as well as the local provincial players (allblacks.com, 2010). Currently the country’s top 220 players are contracted.

These measures ensure that New Zealand maintains a core group of high level players, playing in the country. This ensures continuity and increases the quality of the product, which in turn relates to on-field success. The NZRFU has also increased its contracting to include other emerging players and to retain in New Zealand. In an article on rugby website rugby365.com, it was reported how South African junior players are targeted by overseas clubs from as young as 18 years, and that we have already seen the some of the best young players leave South Africa before even playing provincial rugby (“Poachers target young SA talent,” 2015).

New Zealand and England both implement another extremely successful measure. If a player has ambitions to play for the national team, the player will be required to be affiliated to a provincial or club team in the country. It is of interest to note that at the time of this research, New Zealand was the top ranked team in the world and England was the second best team in the world (worldrugby.org, 2016).

Through research and facts presented in this chapter, I have shown that having top players playing in South Africa will not only raise the profile of the sport in the country, but will also positively impact revenue. This will be achieved through successful on-field results that will drive revenue upwards, as well the enhanced marketability of celebrity players playing in South Africa. Increased revenue will be essential to the health of the organization and will result in a better financial future. The ultimate goal of this research is to provide an inclusive business model for rugby in South Africa. If the organization's financial health is secure, the provincial rugby franchises will be able to allocate enough funds to ensure sustainable and successful transformation and development programmes.

6.4. Financial Health of rugby as a business

The goal of this research is to look at developing South African rugby franchises into inclusive and successful business models, using The Sharks (Pty) Ltd as the principle case study. This will be required to ensure that rugby in South Africa grows and becomes a sport that includes the entire population of South Africa, and that is accepted by all races, genders and cultures of the rainbow nation.

I reviewed the financial health of professional rugby teams across the world to form a hypothesis on the financial health of professional rugby in South Africa. The information I gathered through my research will help me to form an educated opinion on the overall health of world rugby. I will then take my findings and apply them to the South African context – and more importantly the case study for this research, The Sharks (Pty) Ltd.

The world of professional rugby is divided into the northern and southern hemispheres. The southern hemisphere season starts in January and ends in December. The northern hemisphere season runs from the beginning of July and ends at the end of June. The most important

provincial competition for the southern hemisphere is called Super Rugby and consists of 18 teams from five participating countries. The five countries are New Zealand, Australia, South Africa, Japan and Argentina.

The most important club competition in the northern hemisphere is the Champions Cup and the second tier competition in Europe is the Challenge Cup. The Champions Cup consists of the top 20 club teams in the northern hemisphere, made up from six nations. The six nations playing in the Champions Cup are England, Ireland, Wales, Scotland, France and Italy (EPCR, 2016b).

The European Rugby Champions Cup is an annual rugby union tournament organized by European Professional Club Rugby (EPCR). It is the top-tier competition for clubs whose countries' national teams compete in the Six Nations Competition. Clubs qualify for the Champions Cup via their final positions in their respective national/regional leagues, which are the French Top 14, Celtic Pro 12 and the English Premiership. Those who do not qualify are instead eligible to compete in the second-tier Challenge Cup.

The Challenge Cup is the second tier elite European competition. Clubs are made up from eight nations: England, Ireland, Wales, Scotland, France, Italy, Russia, Romania, Spain, Belgium, Germany and Portugal. (EPCR, 2016a). Twenty teams qualify for the Challenge Cup, 18 from the three main European domestic leagues – the French Top 14, and Celtic Pro 12 and the English Premiership – and two from a special qualifying competition between teams from other European nations.

The research in this paper has identified the problem of South African rugby players leaving South Africa to play professionally abroad. While Japan is an attractive choice for players when choosing to play abroad, the majority of players choose to play in Europe, and more specifically the six nations participating in the Champions Cup and Challenge Cup. I will study the financial health of the top tier rugby competitions, to form a hypothesis around the financial health of rugby as a business in 2016.

6.4.1. Southern Hemisphere

- New Zealand

New Zealand is currently the leading rugby nation in the world. The national team, the All Blacks, is the only team to have won the Rugby World Cup on three occasions. They are the current Rugby World Cup champions. New Zealand rugby also dominates Super Rugby, and currently holds the most titles of all the participating countries. The New Zealand Super Rugby franchises have won the Super Rugby competition 15 times since 1996 – more than any of the other competing countries (SANZAR, 2016).

In August 2016, the NZRFU released a report on the financial results of rugby as a business in New Zealand. The report was titled Deloitte Sports Review: State of the Unions Report (Huntington, 2016). The annual report is published in New Zealand and provides a financial review of the country's leading rugby unions. The report raised concerns around the financial health of provincial rugby in New Zealand. More specifically, the report noted that for rugby to be successful as a business in New Zealand, it needed to find a way to reverse the trend of reducing revenue. From a financial perspective, the combined unions in New Zealand posted an overall deficit of \$1.4m, reduced by \$ 2.6m from the previous financial year. This is the first deficit recorded by the consolidated unions since 2011 (Huntington, 2016). The revenue for the combined unions also dropped 5.4% from the previous year, and the revenue for the 2015 financial year was the lowest recorded since 2007.

“As many other not-for-profit organizations will attest, there comes a point where there are no more notches on the belt to tighten and other avenues must be sought to resolve the situation facing them.” Grant Jarrold, Deloitte partner (Deloitte, 2016). The report shows the decline in revenue, but it also suggests that the situation is not as dire as it may seem. Jarrold says that “unions are in better shape now than they were several years ago. However, continued pressure on traditional sources of revenue means they are more reliant on New Zealand Rugby grants than before. To help themselves, the unions could explore more innovative ways to increase and diversify revenue, as well as find new ways to grow support for their representative teams” (Deloitte, 2016).

This proves that even though New Zealand rugby currently dominates the world of rugby, the

need for new revenue streams to replace the declining traditional revenue streams will be essential to ensure financial stability of the sport in the future.

- Australia

Australian Rugby Union (ARU), Chief Operations Officer Rob Clarke said, “Australian rugby can’t shrink its way to success.” (Smith, 2016).

The ARU has five franchises competing in Super Rugby: New South Wales Waratahs, Queensland Reds, ACT Brumbies, Melbourne Rebels and Perth-based Western Force. When releasing the financial position of rugby union franchise Queensland Reds in Australia, Jim Carmichael, CEO of The Reds, reported a loss in excess of \$1m for the financial year 2015. The Reds are the second most powerful province in Australia, producing about 40 per cent of Australia’s Super Rugby talent (Smith, 2016).

From a financial perspective, the main concern within the Australian game is the financial future of the Western Force franchise based in Perth, Western Australia. Rugby WA, which runs The Western Force, reported a loss of over \$600,000 in 2014, and is set to report an even bigger deficit in 2015 (Payten & Pandaram, 2016). As a proposed solution to the Western Force’s financial problems the ARU is set to take over the running of the franchise, in a bid to resolve the Perth club’s long-running financial problems.

The proposed restructure has come off the back of findings reported by financial analysis consultants Accenture. Their report found that the current business model, as well as the depressed local economy in Western Australia, will lead to ongoing financial trouble. The consultancy suggested that the ARU take over the management of the Western Force (Payten & Pandaram, 2016). The ARU reportedly paid the Western Force \$800,000 for its intellectual property rights, on the condition that the ARU has insight on all financial matters pertaining to the franchise.

Compared with the available players in New Zealand and South Africa, Australia has the smallest pool of players to choose from (Lambert & Durandt, 2010). Australian rugby players therefore demand higher wages due to the smaller numbers of quality players available to the Australian Super Rugby franchises. It is reported that there are around 175 contracted professional players in Australia, and they cost collectively the same as the 450 contracted players playing in New Zealand (Smith, 2016). The higher cost of players, along with declining

traditional revenue streams, is also impacting negatively on Australian rugby's financial health.

- South Africa

The business plan contained in this paper discussed in detail the financial health of Super Rugby franchises in South Africa. However, as an overview I have included the extract from the business plan to provide the context of South African provincial rugby when compared with professional rugby teams in other top level rugby-playing nations. South Africa has six teams playing in the Super Rugby competition: The Sharks, The Bulls, The Lions, The Stormers and the EP Kings.

1. In 2016, The Sharks have been in the press due to financial problems and irregularities pointed out by a previous CEO, Brian van Zyl. Van Zyl claimed that the union was in a dire financial position, and insisted that the financial statements of the commercial company be made available to the public (Van Zyl, 2016).
2. In September 2016, The Bulls made a public appeal to fans to come out to the stadium to support their team. In an article on Sport24 journalist Brendan Nel claimed that attendance had dropped in the past few years. In just one example, tickets for a semifinal home match, which were previously certain to be sold out, had not been sold out by the Wednesday before the match. Barend van Graan, the CEO of The Bulls, stated his concern in the article that only 11 612 tickets of a 50 000 plus capacity stadium had been sold (Nel, 2016c). This is a clear indication that revenue had declined at The Bulls.
3. The Lions has been the most successful South African team in the last three years, playing in the Super Rugby final in 2016. However, an article published on News24 in 2012 claimed that the Lions were insolvent. The article claimed that total liabilities exceeded assets by R73m in 2010 (Mseleku, 2012).
4. The Cheetahs, who were the Currie Cup champions in 2016, received a R5m sponsorship from the Free State government. Teboho Letshaba reported on SABC news that Cheetahs received R5m from the Free State government, and that the funds would go a long way towards easing the union's financial woes (Letshaba, 2016).
5. In November 2016, Western Province announced that it has applied for and

obtained an order for the provisional liquidation of WP Rugby (Pty), which is the commercial trading entity of WP Rugby. The president of the WP Rugby Union claimed a smaller sponsorship pool, as well as declining gate and season ticket sales as some of the contributing factors impeding the financial sustainability of the union (Harrison, 2016).

6. The EP Kings were placed under provisional liquidation in March 2016. The economic impact on the union and the players was devastating. SARU had to intervene, and 36 professional players led the liquidation order in a bid to recover money owed to them by the cash-strapped union (News24, 2016).

This outline proves that there is a significant financial threat within South African rugby. The fact that all the Super Rugby franchises have suffered financial problems in recent times demonstrates that an urgent change is needed in the way rugby operates as a business.

If the financial strains remain, SARU's financial health will also come under threat. As pointed out earlier, the constant financial pressure and underperformance in South African rugby can be attributed to amateur officials operating within an ostensibly professional environment, which often prevents sound commercial decisions from being made (Del Carme, 2015). The SARU constitution only allows for a maximum of 49.9% outside equity in the 14 provincial teams. This also adds another financial constraint that should be reviewed to ensure the financial health of South African professional rugby.

6.4.2. Northern Hemisphere

- England

The English national rugby team won the Rugby World Cup in 2003. The team has historically been a major force in world rugby. The English Premiership is the club competition that provides players to the national team. The competition comprises 12 clubs. At the end of each season (RFU, 2016), the bottom club is relegated to a league called the RFU Champions League (RFU, 2016). The winner of the Champions League is promoted to play in the Premiership the following season. Historically, the English Premiership has attracted top international players due to the strength of the British Pound – especially against the South African Rand. Top South

African players who have moved to the English Premiership in 2016 are, among others, Willie Le Roux, who moved from The Sharks to London Wasps; JP Peterson, who moved from The Sharks to Leicester Tigers; and Schalk Burger, who moved from the Stormers to Saracens.

The English professional club rugby system has learned much from the commercial business principles applied by other successful sporting organizations such as the NFL and NHL in the USA; and the NRL and AFL in Australia (premieriershiprugby.com, 2016). As a collective, Premiership Rugby and its clubs led the way in England when they introduced a salary cap in 1999. They did this to ensure the financial viability of all clubs and the Aviva Premiership Rugby competition; to control inflationary pressures on clubs' costs; and to provide a level playing field for clubs to ensure a competitive Aviva Premiership Rugby competition (premieriershiprugby.com, 2016).

The success of the salary cap in English rugby has been brought into question. The financial health of top English rugby club Saracens was exposed when it was announced that the club had accumulated debts totaling \$64.3m.

When questioned about the financial results, Saracens chairman Nigel Wray said that “The curiosity is that the loss could be quite easily substantially reduced simply by having less players in the squad and finishing 11th! But that would send out a terrible message to the players that we weren't ambitious; would hardly attract sponsors and would harm the brand.” (sportbusinessdaily.com, 2016). In accounts filed at Companies House, it was stated that the losses would be funded by Saracens' parent company, Premier Team Holdings Ltd. The accounts also stated that the support is not legally binding, which in effect poses a potential risk to the financial future of Saracens.

Whatever the situation around Saracens and their title as the “most indebted club in rugby history” (Harris, 2016), it does seem that the English Premiership structure has, to a large degree, been successful. It could be said that the objectives of the salary cap are achieved when looking at the financial success the league is currently experiencing. More clubs have been breaking even than before the salary cap was implemented (premieriershiprugby.com, 2016).

English rugby implemented another important measure after the Rugby World Cup in 2011. The Rugby Football Union, which governs English rugby, announced that it will no longer select foreign-based players to play for the English national team. Two reasons were given for the change in policy. The first is to protect the quality of the English league by ensuring the

best English players play in it. The second reason is to give the RFU more control and better access to current or potential players for England (Jones, 2015).

Having looked at the English model and how it has been adapted to professional rugby, I conclude that the salary cap and the decision to choose only local players for the national team had a successful impact. However, it is a concern that Saracens, which is currently the most successful team in England, is known for having the highest debt of any rugby team in world rugby (BBC, 2016).

- French Rugby

France has more professional teams than any other rugby-playing country (LNR, 2016). The Top 14 and ProD2 competitions are both fully professional. These competitions attract the top international players from around the world to play in France. The profile of the Top 14 has been enhanced in recent times, with the biggest names in world rugby playing club rugby in France. Examples include Dan Carter, Duanne Vermeulen, Bakkies Botha, Jonny Wilkinson and George Gregan – to name a few. The Top 14 features the most international players represented at the last Rugby World Cup 2015 (LNR, 2016). With so many top players, the Top 14 has the largest contract for broadcasting rights of any club competition in world rugby.

Revenue in French rugby has shown a steady increase over the last 10 years, increasing on average at more than 12% per annum during that time. In the 2014/2015 financial year, income increased by 12% in the Top 14 and by 6% in the ProD2. The broadcasting rights increased from 43m Euros in 2013/2014 to 83m Euros in 2014/2015. According to the Direction Nationale D'aide et de Contrôle de Destination (DNACG) report published by the Ligue Nationale de Rugby (LNR) (DNACG, 2016), the combined position of all 30 professional clubs reflects a loss for the financial year 2014/2015 of just under 20m Euros. The DNACG is the financial regulatory body for professional rugby in France. Its aim is to ensure financial health within professional rugby in the country.

The DNACG requires that all professional rugby clubs provide their financial statements as well as their budgets by a certain date. The DNACG then studies the submissions to formulate its findings.

In the 2014/2015 season, the DNACG found the following irregularities;

- A club was relegated one division for administrative reasons. This was linked to the financial information presented to the DNACG, and the club was found to be non-compliant with DNACG regulations.
- The player budget for five clubs was limited due to unsatisfactory financial guarantees. In total, 49 contracts were refused approval until the DNACG were satisfied. Only then were the contracts approved before the start of the competition.
- The Board of Directors of the DNACG called five clubs to a special meeting at the end of the 2014/2015 season. During this meeting, the DNACG requested the five clubs to provide guarantees and a plan for how to address the losses they made during the current season.
- The DNACG refused to promote an amateur club due to unsatisfactory financial guarantees offered by the club, even though the club won in its division (DNACG, 2016).

These examples show that the role of the DNACG is extremely important in ensuring the financial well-being of professional rugby in France. Unfortunately, financial trouble is a regular feature in French club rugby. John Daniell writes, in his book “Confessions of a Rugby Mercenary”, that French clubs often find themselves running out of money during the season. This often leaves the professional club in ruins: the best players leave the club, which then has to rebuild its team in the following season (Daniell, 2009).

In extreme circumstances, the clubs that do not rectify their financial position within the DNACG’s timeframe are relegated to the amateur divisions within French rugby. This often has a devastating impact on the clubs. If they do recover, it takes a long time for the club to reach the top level again.

In conclusion, after comparing the financial health of the top rugby playing nations in the northern and southern hemispheres, the research shows that rugby as a business is under pressure throughout the world.

During the research on the finances in rugby, one common factor emerged: traditional revenue streams throughout world rugby are under pressure. Revenue from traditional streams such as ticketing and match day-related income has suffered as a result of declining attendances at live

matches. By contrast, revenue from broadcasting rights has increased throughout all the countries, which indicates that the popularity of the sport is growing. The decline in attendance is linked more to changing consumer behavior of rugby supporters. This highlights the need for further research and new revenue streams for rugby as a business.

CHAPTER 7: CONCLUSION

7.1 Reflections on research and areas where further research is required

The three research areas identified within this study are:

- Transformation in rugby
- Rugby as a business
- Players leaving South Africa to play overseas

I have reflected on each area and felt that each required more research in the following fields.

7.1.1 Transformation in rugby

It is important to research the effectiveness of the current mass participation programmes. This paper looks briefly at the success of the programmes. But I believe there is scope for further research into the subject. Research into asset-based community development programmes within rugby can also provide more information regarding the correct approach to achieve maximum success in these programmes.

7.1.2 Rugby as a business

A comparative case study between rugby as a business and other professional sporting codes will help to provide the information required to compare business models of the different sporting franchises. The comparative case study will also reveal recommendations to rugby's governing bodies. I recommend reviewing the different constitutions that govern sporting codes throughout the world. This exercise would compare the financial position of independent commercial franchises, which are 100% privately owned, with the financial position of

organizations that require a majority amateur shareholding – as is the case for rugby in South Africa.

7.1.3 Players leaving South Africa to play overseas

I believe that the recommended research should form part of a deeper study into the management of celebrity sportsmen. This should include a deeper analysis of the impact on South African rugby of the exodus of high profile players compared with the impact that South African rugby players have had on the overseas leagues. This could be monetized. Using this information, South African rugby could make a calculated decision on the potential investment needed to prevent the exodus of these players to overseas markets.

7.2. Policy recommendation for rugby in South Africa

The research into creating an inclusive business model for rugby in South Africa was an especially personal experience. I looked at the research problem through the eyes of a rugby fan, a retired professional rugby player, a current rugby administrator and a passionate South African.

I believe that the only way to achieve a sustainable and inclusive game of rugby in South Africa is to take big and brave policy decisions. I suggest three policy recommendations that will support the pursuit of this goal.

7.2.1 Responsibility for transformation to be moved to the commercial company

Responsibility for transforming and developing of rugby in South Africa should lie with the commercial body of professional rugby. The current structure forces the amateur body of provincial rugby to ensure the roll out of transformation programmes in South Africa. While some unions help their amateur company to run the programmes, the NPO will continue to be responsible for running the programmes due to the funding options available for NPOs in South

Africa. NPOs qualify for grants and SCI funding if they meet the correct criteria. The for-profit organization will not qualify for the same funding.

Under the new policy, my recommendation is that all provinces affiliated to SARU will be required to underwrite their development and transformation programmes through the commercial company. In the case of The Sharks, the change will be made from the KZNRU to The Sharks (Pty) Ltd.

This recommendation does not suggest that rugby should discard the funding options available through CSI or government funding that can be paid into a section 18A, NPO company (SARS, 2016). Rather, I am proposing that a hybrid model between the for-profit company and the NPO company be implemented. This policy aims to protect development programmes in the event of government budget cuts, or if CSI the funding available to rugby is reduced. It will ensure the integrity and continuity of development and transformation programmes and will remove the funding uncertainties associated with funding through government grants and CSI spend.

The success of this policy will also provide for sustainable growth in previously disadvantaged areas (PDA), where rugby was historically not promoted, and will build the sport's supporter base.

7.2.2 Change of shareholding of professional teams in South Africa

SARU's current constitution provides for a maximum shareholding of 49% to any outside company or individual who might be interested in the ownership of a professional rugby team in South Africa. This research, and my personal experience, has shown that this is problematic for professional rugby in South Africa. The existing 49% cap on shareholding not only limits the funding of professional rugby in South Africa, but it also lends itself to bureaucracy that prevents commercial decision-making, since the majority shareholding lies with the non-commercial amateur body of rugby.

By contrast, if implemented correctly, a revised policy will rejuvenate rugby in South Africa and will allow for more funding and better commercial revenue. The participation agreement

between SARU and the newly structured unions should require compulsory affiliation to SARU and the adoption of the transformation policy as set out in point 9.1 above. SARU will benefit from this arrangement, too. Since the 14 provincial unions make up the SARU shareholding, SARU will effectively be owned by commercial shareholders.

7.2.3 Selecting only players based in South Africa for the national team

The current ruling that allows for South African players playing for overseas clubs to be selected for the Springboks has, in my opinion, accelerated the exodus of top South African players to overseas countries. The recent successes of New Zealand and England have demonstrated that such a ruling has a positive effect on the national team's results.

If players know that they will only be chosen to play for their country if they are playing their provincial rugby in South Africa, it is likely that they will play in South Africa for longer. It will also reward the players who choose to stay and play in South Africa. While it is likely that we will lose players to overseas clubs, I believe that fewer players will leave. In addition, younger talented players with international ambitions are more likely to elect to stay in South Africa to increase their chances of playing for the national team.

Given the large numbers of players currently playing, the quality of the current group playing overseas, and the fact that the South African players playing overseas are tied into contracts of between one and three years, I recommend a phased approach to implementing this policy. The policy could be implemented over three years, starting in 2017:

- **2017 Season:** A total of five players based overseas are eligible for selection to the Springboks during the season.
- **2018 Season:** A total of three players based overseas eligible for selection to the Springboks during the season.
- **2019 Season:** All players playing for the Springboks should be based and playing rugby in South Africa.

I believe this policy will not only allow the national team to be stronger and more successful, but, at the same time, it will create more revenue for rugby. More celebrity athletes will be

playing in South Africa, which will raise the profile of the local game, which will in turn lead to increased revenue opportunities.

7.3 Final Thoughts

Insanity: doing the same thing over and over again and expecting different results.

Albert Einstein

7.3.1 Need for change

I experienced a wide range of emotions during the journey through this study. I firmly believe that the conclusion reached and the recommendations presented will create a positive legacy and will result in sustainable change that will lead to an inclusive and successful business model for rugby in South Africa.

To achieve an exciting future for rugby in South Africa, I believe that the right strategy should accompany the findings made during this research. Strategy and change go hand-in-hand. If the correct implementation strategy accompanies my research findings, it will be possible to achieve the desired objective of creating a sustainable and inclusive business model for rugby in South Africa.

During 2016, rugby lost ground on all levels. Off the field, the Minister of Sport, Fikile Mbalula, publicly reprimanded the sport for transforming too slowly. This culminated with the ministerial ban on teams in South Africa bidding for major sporting events (Ngoepe, 2016).

The professional game has been plagued with continuous financial problems. The EP Kings failed to pay its players (News24, 2016), and towards the end of 2016, Western Province, based in the birthplace of South African rugby, announced that it is applying for voluntary liquidation (Harrison, 2016). On the field, the Springboks lost to Italy for the first time in the country's history (Ray, 2016) and the national team finished the year in fifth position on the World Rugby rankings (worldrugby.org, 2016). This is unheard of for a team that was world rugby champion in 1995 and 2007.

This research aimed to create a sustainable and inclusive business model for rugby. It began with the history of South African rugby and provided a view of why the game is in its current

situation. The history of rugby in South Africa provided valuable and extremely important insights. Traditionally, rugby has been perceived as a white man's sport and that development and transformation is needed to introduce rugby to the black and coloured communities in South Africa.

However, the reality is that rugby has a rich history in both the black and coloured communities in South Africa, with formal structures in these communities dating back to the formation of the South African Coloured Rugby Football Board (SACRFB) in 1897 (Cupido, 2014), and the formation of the South African Bantu Rugby Board (SABRB) in 1935 (Odendaal, 1995). The formation of these rugby boards proves that rugby was not only favoured by the white population in South Africa. Rather, the game has long had a following among all races and cultures within the country. The reason for the separation was due to apartheid and the racial segregation that accompanied the apartheid regime.

During the apartheid era, rugby as a sport grew among the white population. At the same time, apartheid laws prevented black and coloured communities from participating. This has left a negative stigma that the sport still faces today.

In my research, I have found that development and transformation policies for rugby should not be aimed at introducing rugby to PDAs. Rather, the aim should be to provide a platform for talented players living in the PDAs to have access to the facilities, coaching and infrastructure required to live out their passion.

The success of the current programmes and the funding requirements for this important part of rugby's future in South Africa need to be addressed. The research has shown that while development programmes are currently in place to promote rugby in PDAs, these programmes are mostly aimed at mass participation. I do not believe that the mass participation programmes are sufficient to leave a long-term legacy for the young players participating. It is also debatable whether the mass participation programmes are successful in producing professional players. I have found that more elite training and development is required to produce professional rugby players from PDAs.

This paper proposes a three-tiered development model.

The first tier comprises the traditional mass participation model.

The second tier forms an asset-based community development programme, which will not only require coaching but will also provide infrastructure. I recommend targeting existing schools in the PDAs, which will be developed through capital investment into the schools. The schools will serve to develop the players with skills that exceed those needed on the playing field.

The third and final tier will be an elite development center. This tier will accommodate the rugby players who have moved through the mass participation programme, graduated into the asset based community development programme, and who have been identified as potential professional rugby players. The elite level will provide top coaching, nutrition and strength and conditioning development for the young players. It will also focus on education and life skills to help the athlete from a PDA to cope with the pressures associated with professional rugby.

I believe that this structure will provide a positive legacy and will ensure a pipeline of black and coloured players who are able to compete in professional rugby at the highest level. The secondary benefits of this structure are the upliftment of community infrastructure and the upgrade of facilities required to accommodate the programme. An additional benefit is that the programme will still address the government-identified need for traditional mass participation. Mass participation will build the awareness of rugby in PDAs and the second and third tier of the programme will provide for active participants in rugby at all levels. The successful implementation of this development structure throughout South Africa will lead to rugby becoming a truly inclusive sport in the country.

Traditionally, development funding came from government grants and company CSI spend. In this research, I have suggested that the only way to sustain development and transformation in rugby, and especially to build the sustainability of the proposed programme, is to shift the responsibility for funding the programme to the professional arm of the rugby franchise. This is a change from the historical approach, where the amateur company bears the development responsibility.

The professional arm will use its commercial rights to raise funding for the development programmes. At the same time, the section 18A non-profit company under the amateur section will still apply for government grants and corporate CSI spend. However, the success and sustainability of the programmes will not rely entirely on these revenue sources. The commercial entity will provide the guarantees needed to ensure the sustainability of these programmes.

The transfer of development spend to the commercial entity will place additional strain on an already struggling industry. Therefore, it was extremely important to look at the financial health of rugby as a business. The research showed that rugby as a business is currently under pressure and many professional teams are struggling financially.

This research focused on reasons that rugby franchises are under financial pressure. Using The Sharks as my case study, I found that the traditional revenue streams available to rugby are declining.

Smaller stadium audiences and better live broadcast offerings are reducing match day revenue. At the same time, non-traditional revenue streams increased, with significant growth in broadcasting rights payments.

I also identified a need to develop new revenue streams to increase income in rugby. In the inclusive business model developed in this paper, I identified new revenue streams including stadium eventing and monetizing digital media by creating an online platform that will encourage users to become members or subscribers for an additional fee.

The strategy to increase revenue by hosting more events at the stadium has the potential to succeed and I am confident that it will. The Sharks has all the ingredients required to host stadium events. The stadium currently consists of multiple venues that will be able to accommodate most events. In addition to the venues, most of the services required to host events are already available at the stadium. These can be maximized for increased profit. These services include catering, the liquor store and security and cleaning services. These will all supplement the venue hire.

The only additional expense to The Sharks will be an events coordinator, who will need to be recruited. Once in post, he or she will be incentivized through remuneration linked to performance. If marketed and priced correctly, I believe that this venture will be successful and profitable for the organization.

The research revealed that the strength of the brand is an important factor in successfully monetizing digital media. It is equally as important to understand the individual fan and the behavior patterns of the group of followers or subscribers on the specific platforms. More research is required to fully understand these specific areas. Due to the nature of social media and the speed at which the digital industry is developing, the solution will need to be flexible

to stay current and to provide the service and value that will motivate supporters to subscribe to a membership and pay a monthly fee towards the subscription.

I have found that the success of any subscriber-driven model is in the value it offers to the client. In this instance, the client is a fan and the value will be in the form of content. The content that will drive the fan to subscribe will be specific content that will be exclusive to the member's area of the application.

Celebrity players and the strength of the sporting brand will be big drivers in convincing fans to subscribe. The content will be developed by The Sharks and will only be offered to paying members. The business plan, attached to this paper in Appendix 1, shows the potential annuity revenue for the organization.

The quality of the individual players in the team plays a definite role in the on- and off-field success of The Sharks. This research has found that losing players to overseas countries, driven mostly by the strength of the yen, euro and pound, has had a clear negative impact on South African rugby. The impact of the player exodus has meant that our national team, the Springboks – which is, in my opinion, the strongest commercial brand in South Africa – has lost ground against the world's other top rugby playing nations.

The latest rankings show that the 1995 and 2007 Rugby World Cup champions slipped to number five in the world rugby rankings at the end of the 2016 season. Under the new coach, Allister Coetzee, the Springboks have won only four out of 12 matches during the 2016 season, and recorded its first-ever loss against Italy in November 2016 (Telegraph Sport, 2016).

These results will have a negative effect on supporter sentiment in South Africa. This negative sentiment will effectively reduce revenue for the provincial franchises in South Africa.

The exodus of top players negatively effects the on-field results of South African teams, as well as off-field revenue. As discussed in this paper, The Sharks have lost the following international players to overseas clubs:

- Jannie Du Plessis
- Bismark Du Plessis
- Francois Steyn
- Marcell Coetzee

Together, these high-profile players have played a combined total of 230 test matches for the Springboks. The loss of these players to European clubs not only weakens the Springboks' and The Sharks' on the field, but also damages The Sharks' brand. Without high profile players available to play, fans are less attracted to the team. This has a negative economic impact, caused by declining match day attendances. Smaller audiences reduce other related revenue streams linked to match day attendances. This places the organization under increasing pressure.

After the disappointing rugby season, SARU has finally acknowledged the serious impact of the player exodus. The organization is reviewing the eligibility rules currently in place. The current rules allow the Springboks to select players who are based overseas. However, SARU is considering amending that ruling to only allow players based in South Africa to be considered eligible for Springbok selection.

While I believe that this measure will not stop players from leaving South Africa, it will slow down the exodus and keep the top players in South Africa for a longer time during their career.

I also believe that South Africa is carrying too many professional rugby players in too many professional teams. It will be possible to pay players more if the current 14 professional provinces are reduced to eight. Eight provinces will be able to share a greater portion of broadcasting rights than 14. The eight teams will also be more competitive and will allow for a better product, which will drive spectator interest and corresponding match day income.

As discussed, there is a need to address declining revenue streams and player exodus to ensure the sustainability of rugby as a business.

The research showed that professional clubs and provinces throughout world rugby are all under financial pressure. In my research I found that professional teams in Australia, New Zealand, South Africa, England and France are suffering financially. These financial problems

are in stark contrast to the growing popularity of rugby as a global sport. This shows that rugby's business model in a global context needs to be reconsidered.

Clubs and provinces in South African rugby are performing worse than their overseas counterparts. As discussed in the research, all the Super Rugby franchises in South Africa have experienced financial trouble within the last five years. This paper has provided the reasons why the franchises are under pressure and has presented solutions on how to make rugby profitable.

The main points of the research are summarized as follows:

1. The history of rugby in South Africa
2. Importance of development and transformation in rugby
3. Need to create new revenue streams in rugby
4. Stop top players leaving South Africa
5. Ensure the financial health of South African rugby as a business

These points are important to understand because they are critical to achieving the goal of a sustainable inclusive business model for rugby in South Africa, which was key objective for this research.

My research has shown that the only way to achieve the goal of transforming rugby in South Africa is to implement and assure the sustainability of the three-tier development programme created through this research. Uncertainty in funding for development programmes was identified as a risk to the sustainability and expansion of these programmes. This can be addressed by attributing commercial rights from the professional company to raise funds to ensure the sustainability of the development projects.

However, to sustain the funding from the professional company, rugby as a business must be in good health. To ensure the financial health of the business, the revenue and product should be secure. To secure revenue, we will seek to create new revenue streams, and to protect the product we must curb the player exodus. Allowing private ownership of rugby franchises will also ensure more capital investment into professional rugby. The research showed that the outside shareholding in South African teams is currently limited to 49%, with the majority shareholding held by the amateur body.

As discussed in this paper, if South African rugby makes the necessary proposed changes to the sport; if development and transformation is managed professionally and is made the responsibility of the commercial body and not the amateur organization, then the development and transformation programmes will be sustainable and successful. The success of these programmes will ensure that more players of colour will be able to play the sport and more will play for our professional teams and, ultimately, for the Springboks.

The transformed team, which is more representative of our country's demographic, will attract greater support from non-white South Africans. A more representative and inclusive game will generate more revenue for the sport. The increased revenue will then be proportionally used to increase the spend allocated to transformation and development under the professional company. This, in turn, will grow the development programmes and accelerate sustainable transformation. I believe that only then will rugby be considered an inclusive sport in South Africa. This will only be achieved by adopting the business principles and recommendations set out in this research paper.

In conclusion, rugby needs to change. This change is not just limited to the field or the boardroom. Above all, it is a change in mindset that will achieve an inclusive game. Administrators and presidents of unions must give rugby back to the people, all the people of South Africa. This will be achieved through a constitutional change that allows rugby to be privatized. With additional funding, development will shift from being merely a tick-box exercise to keep politicians at bay. Transformation and development must be managed professionally and must be sustainable for it to succeed.

For rugby to be inclusive and successful, all South Africans must stand together as the rainbow nation around the sport. The same rugby that black, coloured and white South Africans have played since 1886 will again bring South Africa together like Madiba did at Ellis Park in 1995, when the Springboks unified a nation through the actions of 15 brave men on the field – and one great leader cheering them on.

REFERENCES

- Adair, D. (1995). *John Nauright and Timothy Chandler, eds, "Making Men" (Book review)*. Frank Cass. Retrieved from <http://library.la84.org/SportsLibrary/SportingTraditions/1995/st1201/st1201t.pdf>
- allblacks.com. (2010). NZRU and NZRPA ratify new collective employment agreement. *New Zealand All Blacks*. Retrieved from <https://www.allblacks.com/News/13482/nzru-and-nzrpa-ratify-new-collective-employment-agreement>
- Archbishop Emeritus Mpilo Tutu. (2016). *South African History Online*. Retrieved from <http://www.sahistory.org.za/people/archbishop-emeritus-mpilo-desmond-tutu>
- BBC. (2016, January 25). Saracens debt grows to £45.1m after £3.98m annual loss - BBC Sport. *BBC Sport*. Retrieved from <http://www.bbc.com/sport/rugby-union/35400355>
- BMI. (2014). *BMI Spectator stats 1996 - 2013*. [spreadsheet] presented by Gerhard Steyn of Supersport on Spectator Demographics.
- Bolligelo, A. (2006). *Tracing the development of professionalism in South African Rugby: 1995-2004*. (Masters Thesis) Faculty of Arts and Social Sciences, University of Stellenbosch.
- Boshoff Gary. (2004, June 14). A legacy forgotten. *News24*. Retrieved from <http://www.news24.com/columnists/archive/garyboshoff/a-legacy-forgotten-20040614>
- Burnard, L. (2015, December 7). SA Rugby Union concerned by overseas player exodus. *Timeslive*. Retrieved from <http://www.timeslive.co.za/sport/rugby/2015/12/07/SA-Rugby-Union-concerned-by-overseas-player-exodus>
- Burnard Lloyd. (2016, April 20). 2019 transformation plan a "funeral policy." *News24*. Retrieved from <http://www.sport24.co.za/Rugby/Springboks/2019-transformation-plan-a-funeral-policy-da-20160420>
- BusinessTech. (2015, September 3). Former black Springbok rugby player speaks out on transformation. *BusinessTech*. Retrieved from <http://businesstech.co.za/news/lifestyle/97379/former-black-springbok-rugby-player->

speaks-out-on-transformation/

Callahan, M. (2013, November 24). The night Tiger Woods was exposed as a serial cheater. *New York Post*. Retrieved from <http://nypost.com/2013/11/24/the-night-tiger-woods-was-exposed-as-a-serial-cheater/>

Capostagno, A. (2011, November 18). Solly Tyibilika: A tragic tale of wasted potential. *Mail & Guardian*. Retrieved from <http://mg.co.za/article/2011-11-18-solly-tyibilika-a-tragic-tale-of-wasted-potential>

Clarke, L. (2014, May 25). Forensic probe into Sharks' finances. *Sunday Tribune*. Retrieved from <http://www.iol.co.za/sunday-tribune/news/forensic-probe-into-sharks-finances-1693456>

Cupido, E. D. (2014). *A case-based analysis of the implementation of transformation in Western Cape rugby*. University of Stellenbosch, [MastersThesis]Faculty of Arts and Social Science, University of Cape Town.

Daniell, J. (2009). *Confessions of a Rugby Mercenary* (ebook). Ebury Digital.

Del Carne, L. (2015, January 15). RUGBY: Sponsorship beats TV rights. *Financial Mail*. Retrieved from <http://www.financialmail.co.za/coverstory/2015/01/15/rugby-sponsorship-beats-tv-rights>

Deloitte. (2016). Rugby unions' financial results falter. *Deloitte*. Retrieved from <https://www2.deloitte.com/nz/en/footerlinks/pressreleasespage/rugby-unions-financial-results-falter.html>

Department of Sport and Recreation. (2011). *Transformation Charter for South African Sport*. Pretoria, SA: Government.

Department of Sport and Recreation. (2013). Development and transformation in sport. *Think Sport*, 2(2), special issue.

Department of Sport and Recreation. (2015). *Sport and Recreation South Africa; Strategic Plan 2015-2020*. Pretoria, SA: The Department.

Desai, A. (2010). *The race to transform*. Cape Town, SA: HSRC Press.

- Dix, S., Phau, I., & Pougnet, S. (2010). “Bend it like Beckham”: The influence of sports celebrities on young adult consumers. *Young Consumers: Insight and Ideas for Responsible Marketers*, 11(1), 36–46. <http://doi.org/10.1108/17473611011025993>
- DNACG. (2016). *Rapport DNACG*. Paris, France: Direction Nationale d’Aide et de Contrôle de Gestion. Retrieved from <http://www.lnr.fr/sites/default/files/Rapport-DNACG-2016.pdf>
- Downward, P., & Dawson, A. (2000). *The Economics of Professional Team Sports*. London, UK: Routledge.
- Drucker, S., & Cathcart, R. (1994). *The mediated sports hero*. Creskill, NJ: Hampton.
- du Toit, J. (2013). *Playing time of professional senior rugby players across all levels of South African rugby, 2007–2012: Implications for transformation*. University of Cape Town, [MastersThesis] Faculty of Health Sciences, University of Cape Town.
- Dunn, J. (2009). Reconciliation and Rugby in Post-Apartheid South Africa. *Levitt Summer Research Fellowship*.
- EPCR. (2016a). Challenge Cup Clubs : European Rugby Challenge Cup. *Epcrugby.com*. Retrieved from <http://www.epcrugby.com/europeanrugbychallengecup/clubs/index.php>
- EPCR. (2016b). Champions Cup Clubs : European Rugby Champions Cup. *Epcrugby.com*. Retrieved from <http://www.epcrugby.com/europeanrugbychampionscup/clubs/index.php>
- Frontiers. (2015). *Frontiers Sponsorlink: Sharks*. [Presentation] Commissioned report for The Sharks.
- Government of South Africa. (2014). *Broad-Based Black Economic Empowerment Act 53 of 2003*. Pretoria, SA.
- Greenaway, M. (2009). *Captain In the cauldron*. Durban, SA: Highbury Safika Media.
- Grundlingh, A. (2005). *Rands for Rugby*. [Draft of Thesis] Lettere en Wysbegeerte, University of Stellenbosch.
- Harris, N. (2016, January 24). Saracens debt hits £45.1m as club extends own unwanted record even further. *Dailymail*. Retrieved from

<http://www.dailymail.co.uk/sport/rugbyunion/article-3414067/Saracens-debt-hits-45-1m-club-extends-unwanted-record-further.html>

Harrison, A. (2016, November 7). Western Province rugby in trouble. *Moneyweb*. Retrieved from <http://www.moneyweb.co.za/news/south-africa/western-province-rugby-in-trouble/>

Heere, B., Walker, M., Gibson, H., Thapa, B., Geldenhuys, S., & Coetzee, W. (2013). The power of sport to unite a nation: The social value of the 2010 FIFA World Cup in South Africa. *European Sport Management Quarterly*, 13(4), 450–471. <http://doi.org/10.1080/16184742.2013.809136>

Hoskins, O. (2014). *The Glass ceiling in Rugby : Tackling the Advantage Line*. [Masters Thesis] Graduate School of Business, University of Cape Town.

Huntington, M. (2016). *A close up on results. State of the Unions: Sports review*. Deloitte. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/nz/Documents/consumer-business/nz-en-2016-state-of-the-unions-report-upload.pdf>

Jones, C. (2015, May 8). Rugby World Cup: Why won't England pick overseas players? *BBC Sport*. Retrieved from <http://www.bbc.com/sport/rugby-union/32626996>

Lambert, M. I., & Durandt, J. (2010). Long-term player development in rugby – how are we doing in South Africa? *South African Journal of Sports Medicine*, 22(3), 67–68.

Lawrence, S., & Moyes, F. (2013). *Writing a successful business plan*. College of Business and Administration, University of Colorado at Boulder. <http://doi.org/10.3928/21650799-20121221-53>

Letshaba, T. (2016, July 10). R5 million cash injection for Free State Cheetahs. *SABC News*. Retrieved from <http://www.sabc.co.za/news/a/f175d0004d713cdeb02dfe4b5facb1b5/R5-million-cash-injection-for-Free-State-Cheetahs-20161007>

Lewis, C. (2016, July 21). Super Rugby | Sharks have plan to address financial woes and “break even” by 2019 [blog]. *Sarugbymag.co.za*. Retrieved from <http://www.sarugbymag.co.za/blog/details/sharks-address-finances>

LNR. (2016). *Plan Stratégique du Rugby Professionnel 2016-2023*. [Presentation] Séminaire

des Présidents de Clubs des 9 et 10 February: Ligue Nationale de Rugby.

Luiz, J. M., & Fadal, R. (2011). An economic analysis of sports performance in Africa. *International Journal of Social Economics*, 38(10), 869–883.

<http://doi.org/10.1108/03068291111170415>

Migozzi, J. (2010). Rugby in South Africa facing change: A game of power, a tool for development and a symbolic force. *Cahiers D'outre-Mer*, 250(2), 253–274.

Mitchell, H., Spong, H., & Stewart, M. (2012). Gambling with public money: An economic analysis of national sports team funding. *The Economic and Labour Relations Review : ELRR*, 23(2), 7–22. <http://doi.org/10.1177/103530461202300202>

Motaung, K. (2016). *Kaizer Chiefs: History*. Retrieved from

http://www.kaizerchiefs.com/kc_content.asp?contTitle=HISTORY&cid=2989

Mseleku, S. (2012, April 29). Golden Lions rugby is hopelessly insolvent. *City Press*.

Retrieved from <http://www.news24.com/Archives/City-Press/Golden-Lions-rugby-is-hopelessly-insolvent-20150429>

Nauright, J. (1997). *Sport, cultures and identities in South Africa*. London,UK: Leicester University Press.

Nel, B. (2016a, June 30). Host of SA players head overseas after Super Rugby. *Sport24*.

Retrieved from <http://www.sport24.co.za/Rugby/SuperRugby/sa-players-head-overseas-after-super-rugby-20160630>

Nel, B. (2016b, June 30). SA players head overseas after Super Rugby. *SuperSport*. Retrieved

from http://www.supersport.com/rugby/sa-rugby/news/160630/SA_players_head_overseas_after_Super_Rugby

Nel, B. (2016c, October 14). Loftus tickets blow for Bulls. *Sport24*. Retrieved from

<http://www.sport24.co.za/Rugby/CurrieCup/loftus-tickets-blow-for-bulls-20161014>

News24. (2016, April 20). Kings give clarity on money woes. *News24*. Retrieved from

<http://www.sport24.co.za/Rugby/SuperRugby/kings-give-clarity-on-money-woes-20160420>

Ngoepe, K. (2016, April 25). Mbalula bans SA from bidding for major rugby, cricket events.

- News24*. Retrieved from <http://www.sport24.co.za/OtherSport/South-Africa/mbalulabans-sa-from-bidding-for-major-rugby-cricket-events-20160425>
- Nickerson, R. S. (2013). Inference: Deductive and inductive. In N. J. Salkind (Ed.), *Encyclopedia of research design* (pp. 594–597). Thousand Oaks, CA: Sage.
<http://doi.org/10.4135/9781412961288>
- Nielson. (2016). *Economic impact study Castle lager rugby championship*. (N. Sport, Ed.). [Presentation] Sandton, Johannesburg.
- O'Reilly, K. (2009). Key concepts in ethnography, 104–110.
- Odendaal, A. (1995). *Beyond the tryline: Rugby and South African Society*. Cape Town, SA: Raven Press.
- Owen, P. D., Weatherston, C. R., Owen, D., Dobson, S., Howells, J., Knowles, S., ... Winchester, N. (2002). *Professionalization of New Zealand Rugby Union: Historical background, structural changes and competitive balance*. {No. 0214} Economics Discussion Papers, University of Otago.
- Parliament. (2011, August). SA Rugby to “Defend the Glory.” *Parliamentary News*. Retrieved from http://www.parliament.gov.za/live/contentpopup.php?Item_ID=1598&Category_ID=
- Payten, I., & Pandaram, J. (2016, March 24). Australian Rugby Union set to take control of struggling Western Force. *The Daily Telegraph*. Retrieved from <http://www.dailytelegraph.com.au/sport/australian-rugby-union-set-to-take-control-of-struggling-western-force/news-story/3721a4e3b52161564a3c7eacf691d4fa>
- Pienaar, F., & Griffiths, E. (1999). *Rainbow warrior*. Johannesburg, SA.
- planetrugby. (2016, October 31). SA franchises to go private? *Www.planetrugby.com*. Retrieved from <http://www.planetrugby.com/news/sa-franchises-to-go-private/>
- Poachers target young SA talent. (2015, January 25). *Rugby365*. Retrieved from <http://www.rugby365.com/article/64133-poachers-target-young-sa-talent>
- premiershiprugby.com. (2016). *Salary Cap | Premiership Rugby*. *premiershiprugby.com*. London, UK. Retrieved from <http://www.premiershiprugby.com/salary-cap/>

- Ray, C. (2016, November 19). Springboks hit rock bottom with crushing loss to Italy. *Sunday Times*. Retrieved from <http://www.timeslive.co.za/sundaytimes/sport/rugby/2016/11/19/Springboks-hit-rock-bottom-with-crushing-loss-to-Italy>
- Reason, M. (2016). South African rugby being transformed into a second-rate sport. *Stuff.co.nz*. Retrieved from <http://www.stuff.co.nz/sport/rugby/opinion/79438315/mark-reason-south-african-rugby-being-transformed-into-a-second-rate-sport>
- Repucom. (2015a). *Branded AMPS analysis: Cell C Sharks 2014*. [presentation] Johannesburg, SA.
- Repucom. (2015b). *Report: Branded AMPS for Sharks*. {Presentation} Sandton, SA.
- Repucom. (2015c). *Top 10 South African sports bodies on social media*. [Report] Sandton, SA.
- RFU. (2016). RFU - Club competitions. *Englandrugby.com*. London, UK. Retrieved from <http://www.englandrugby.com/club-competitions/aviva-premiership/>
- Robinson, G. (2014, May 16). South African Rugby Union integrity questioned over TV revenue. *Smh.com.au*. Retrieved from <http://www.smh.com.au/rugby-union/union-news/south-african-rugby-union-integrity-questioned-over-tv-revenue-20140516-zreu2.html>
- Ryan, G. (Ed.). (2008). *The changing face of rugby*. Newcastle, UK: Cambridge Scholars Publishing.
- SANZAR. (2016). *About Super Rugby*. *sanzarrugby.com*. Sydney, Australia. Retrieved from <http://www.sanzarrugby.com/superrugby/about-super-rugby/>
- SARS. (2016). Tax Exempt Organisations. Retrieved November 27, 2016, from <http://www.sars.gov.za/ClientSegments/Businesses/TEO/Pages/default.aspx>
- SARU. (2014). *Delivering rugby's future - strategic transformation plan*. Cape Town, SA: South African Rugby Union.
- SARU. (2015). *Income Statements 2008-2016 with potential savings 2016*. [spreadsheet] presented by Gerhard Steyn of Supersport to SARU.

- SARU. (2016). *Constitution of The South African Rugby Union*. Cape Town,SA: South African Rugby Union. Retrieved from <http://www.sarugby.net/wp-content/uploads/2016/04/SA-Rugby-Constitution-approved-AGM-01.04.2016.pdf>
- Shuart, J. (2007). Heroes in sport: Assessing celebrity endorser effectiveness. *International Journal of Sports Marketing & Sponsorship*, 8(2), 126–140.
- Smiles, J. A. (2012). *Transformation and democratization of South African sport in the new constitutional dispensation, with special reference to rugby as a sport code*. [Phd Thesis]Department of Political Studies and Governance, University of the Free State.
- Smith, W. (2016, March 19). Financial health of Australian Super Rugby franchises takes a mauling. *The Australian*. Retrieved from <http://www.theaustralian.com.au/sport/opinion/wayne-smith/financial-health-of-australian-franchises-takes-a-mauling/news-story/0b5d20dec013011667d5a90e2ea0f684>
- Sport24. (2016, April 8). EP Rugby officially liquidated. *Sport24*. Retrieved from <http://www.sport24.co.za/Rugby/CurrieCup/ep-rugby-officially-liquidated-20160804>
- sportbusinessdaily.com. (2016, January 25). Premiership Side Saracens' Debt Totals \$64.3M, Still Rugby's Most Indebted Club Ever. *Sportsbusinessdaily.com*. Retrieved from <http://www.sportsbusinessdaily.com/Global/Issues/2016/01/25/Finance/Saracens-Debt.aspx>
- Steyn, G. (2014). *SA Rugby- Ensuring quality in challenging times*. [presentation] Supersport to SARU, SA.
- Strydom, W. J. (2015). *The funding models and performance of National Sports Federations affiliated to the South African Sports Confederation and Olympic Committee*. [Masters Thesis]Gordon Institute of Business Science, University of Pretoria.
- Teichmann, G. (2000). *For the Record*. (E. Griffiths, Ed.). Cape Town,SA: Jonathan Ball Publishers.
- Telegraph Sport. (2016, November 19). Italy 20 South Africa 18: Springboks suffer fresh humiliation as Azzurri pull off stunning win in Florence. *Telegraph.co.uk*. Retrieved from <http://www.telegraph.co.uk/rugby-union/2016/11/19/italy-20-south-africa-18-springboks-suffer-fresh-humiliation-as/>

- Thomas, S. (2016, May 12). French clubs sign eye-watering €388 million broadcast deal for Top 14 coverage as gap widens with Pro12. *Wales Online*. Retrieved from <http://www.walesonline.co.uk/sport/rugby/rugby-news/french-clubs-sign-eye-watering-11325429>
- Toulon Rugby. (2016). *History - RCT - Rugby Club Toulonnais*. Toulon Rugby. Toulon, France. Retrieved from <http://www.rctoulon.com/en/club-2/history/>
- Vaczi, J., & Berkes, P. (2010). Integrating communication and marketing efforts to influence governmental sport funding : An analysis of an innovative sport-financing program in Hungary The dream of a commercial sport industry in Hungary. *International Journal of Sport Communication*, 3, 12–26.
- van der Berg, W. (2011). *150 Years of South African rugby*. (P. Botes, Ed.). Johannesburg, SA: Bookstorm.
- van der Berg, W. (2014). *125 The Black & White Story*. Johannesburg, SA: Tracey McDonald Publishers.
- van Hilvoorde, I., Elling, A., & Stokvis, R. (2010). How to influence national pride? The Olympic medal index as a unifying narrative. *International Review for the Sociology of Sport*, 45, 87–102. <http://doi.org/10.1177/1012690209356989>
- Van Zyl, B. (2016, June 17). Van Zyl lifts lid on Sharks' woes. *The Mercury*. Retrieved from <http://www.iol.co.za/sport/van-zyl-lifts-lid-on-sharks-woes-2035963>
- Weislo, L. (2012). Index of Lance Armstrong doping allegations over the years. *Cyclingnews*. Retrieved from <http://www.cyclingnews.com/features/index-of-lance-armstrong-doping-allegations-over-the-years>
- Wikipedia. (2016). *Tiaan Strauss*. Retrieved from https://en.wikipedia.org/wiki/Tiaan_Strauss
- Williams, J., & Chinn, S. J. (2010). Meeting relationship-marketing goals through social media: A conceptual model for sport marketers. *International Journal of Sport Communication*, (3), 422–437.
- World Rugby. (2017a). HSBC Sevens World Series. Retrieved January 12, 2017, from

<http://www.worldrugby.org/sevens-series/news>

World Rugby. (2017b). Womens Rugby World Cup 2017. Retrieved January 12, 2017, from <http://www.rwcwomens.com/pools>

worldrugby.org. (2016). World rugby rankings. Retrieved November 19, 2016, from <http://www.worldrugby.org/rankings/mru>

Wronski, M., & Goldstuck, A. (2016). *SA social media landscape 2016. Research*. Johannesburg,SA: World Wide Worx. <http://doi.org/10.1017/CBO9781107415324.004>

