A New Game Plan for DStv

For years, South African sports fans have been asking DStv for the same thing: **let us pay for sport without having to pay for everything else.**

It is a particularly relevant request in South Africa, where sport is often about more than just watching the game. We invite friends and family over for a braai, put the rugby on the TV and turn a Saturday afternoon into a social occasion. Sport is part of how we celebrate and connect. But the price of being able to do that has increasingly become harder to justify. DStv Premium, the package that has traditionally provided access to SuperSport's full sports offering, reached R979 a month. For a household primarily interested in watching international sport, paying close to R1,000 every month for a much broader package can be difficult to justify. At the same time, the way we consume entertainment has changed. Netflix, Amazon Prime Video and other streaming services have made consumers increasingly accustomed to paying for the content they actually want, rather than buying a large bundle of channels.

DStv's streaming strategy has also not always helped its cause. After clamping down on the number of people who could stream DStv simultaneously across multiple devices, the company faced growing frustration from customers who had become accustomed to the flexibility and convenience offered by streaming services. As consumer preferences continued to shift, MultiChoice's active subscriber base came under significant pressure. Now, under new owner Canal+, DStv is changing its approach. From 17 September, customers will be able to choose a dedicated DStv Sports package, starting at R479 a month on satellite and R399 on streaming.

There is a broader lesson here for investors. Being the biggest player in a market comes with significant advantages. Scale, brand recognition, established infrastructure and customer loyalty can create a powerful competitive position. But size alone is not a moat. For years, DStv could rely on its dominant position in South African sports broadcasting. But as consumer behaviour changed and household budgets came under pressure, customers became less willing to pay for a large bundle when they only wanted certain parts of it. This is a dynamic we see across markets. Customer preferences change, technology disrupts established business models and competitors find ways to target gaps that incumbents have overlooked. A company that was once the obvious choice can quickly become less relevant if it fails to adapt.

But there is another important distinction for investors: market share is not the same as shareholder value. DStv may regain subscribers as a result of its new, more affordable packages, which would appear positive. But more customers do not automatically mean a better business. If a company cuts prices significantly to attract customers, it needs to generate enough additional volume to offset the impact on revenue and margins. In other words, growth is only valuable when it creates value.

This is an important consideration when assessing both companies and investment managers. A fund delivering strong performance is encouraging, but the headline return is only the starting point. We also need to understand how that performance was generated. The same principle applies to DStv. The success of its new strategy won't ultimately be measured simply by how many customers return. The more important questions will be whether those customers stay, whether the economics of the business improve and whether DStv can build a sustainable competitive position in a market that has fundamentally changed.

On that note, good luck to the Springboks as they take on the All Blacks this Saturday. With the Boks leading 2–1, let's hope they finish the series in style.

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If you have any questions, Kirsten and our team would love to hear from you on investmentteam@seedinvestments.co.za.