Dish unveils its slimmer, cheaper online TV service at CES

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Hoping to attract more customers by offering less TV, Dish Network executives announced Monday that they will soon launch a slimmed-down - OK, emaciated - online TV service for $20 a month.

Dubbed Sling TV, it marks the first time that a major company will offer a multichannel video service without the benefit of its own distribution system. Cable and phone companies transmit their television services through their own wires, and Dish and DirecTV use their own satellites. Sling TV, however, will piggyback onto the networks owned by Internet service providers and mobile phone operators.

The service, unveiled Monday at the Consumer Electronics Show in Las Vegas, still has a few important blanks to be filled in. There is no launch date, although the service will be available within a month to anyone with a broadband connection in the United States. The lineup is still being filled out. And while Dish promises to offer additional tiers of programming, some important details about them are still missing.

The cornerstone of Sling TV's programming is ESPN, home of the college football playoffs, Monday Night Football and a number of other popular sports broadcasts. Also in the main Sling TV tier are 11 other networks owned by Disney, Time Warner's Turner Broadcasting and Scripps networks, including ESPN2, the Disney Channel, CNN, TNE, the Food Network and Cartoon Network. The company also plans to include original online programming, although the only source announced at launch is Disney-owned Maker Studios.

Notably absent are local broadcasters, national over-the-air networks (such as CBS and Fox) and some of the most popular sources of original programming on cable, including USA, Nickelodeon, History, FX, AMC and HBO. There will be no A&E at launch either, but that's coming, said Roger Lynch, chief executive of Sling TV.

"I think it's a mistake to chase every popular program with a service like this," Lynch said in a recent interview. "All you'll end up doing is loading in more and more channels and driving up the cost of the service."

Nor is it possible to magically deliver cable's most popular content for a fraction of the cost of cable. As Lynch put it, "You can't take $50 worth of content and sell it for $20."

The operating assumption is that Sling TV subscribers will also sign up for other online services, such as Netflix and Hulu Plus. "We're not trying to be the entire video experience for these consumers," Lynch said.

By launching Sling TV, Dish will be relying on its competitors' broadband services to deliver a product that competes with their pay-TV offerings - and Dish's. But Lynch argues that the audience for Sling TV is different from the one for traditional pay TV. It's the roughly 25-million U.S. households that have abandoned cable and satellite services, or never signed up in the first place (more on that in a bit). And that segment is growing.

There's no shortage of television programming online from the likes of Hulu and Netflix. To date, though, such services have been limited to on-demand programming, such as TV shows that have already aired or movies that are no longer in theaters. That's true largely because broadcasters and cable networks haven't been eager to license their content to online innovators trying to offer something different from the overstuffed cable bundle. And the handful of services that have tried to offer live TV broadcasts without licenses, such as Aereo and ivi.tv, have been shot down by the courts for copyright infringement.

There's also the reality that the current system of pricey programming packages works for the TV industry. Said Lynch, "All programmers are worried about losing customers from the traditional bundle. No programmer would sit down and say, 'What I really want to do is ... switch everybody to a low-priced bundle.'"

Nevertheless, more services such as Sling TV are expected, despite the licensing challenges. The Federal Communications Commission is trying to open the door further with a new rule that would give such endeavors the same access to programming that cable and satellite operators enjoy.

"At some point you've got to go where the eyeballs are. And the eyeballs are on the Internet," said Steve Shannon, general manager of content and services for Roku. "Now, going after streamers is a real business. There's a lot of money in it."

Roku has found that when users can't find the content they want online, "it doesn't decrease their engagement," Shannon said. "It causes them to watch other programming on Roku."

Dish has been working on Sling TV for quite some time. Lynch was hired by the company five years ago because CEO Charlie Ergen believed "traditional pay-TV was going to go into decline," Lynch said, and "he wanted to build the next-generation TV service that would be delivered over the Internet."

Since then, Dish has acquired streaming video technology and the online rights to many of the channels it delivers via satellite. Those negotiations have been contentious, though - witness the recent blackouts involving channels owned by CBS, Turner and Fox.

It also inaugurated a streaming service called Dish World featuring 200 foreign networks in more than a dozen languages. Lynch said the service, whose results haven't been disclosed by Dish, has shown that online TV won't necessarily leach customers from traditional pay-TV offerings. That's because it reaches a different audience.

"We saw that we were adding three times the number of subscribers on that (Dish World) platform than on satellite," while having no effect on the number of new satellite subscribers or cancellations, Lynch said. "This is even including language groups where we're really the only player. It's almost like we launched it on a different planet."

The typical Dish World subscriber pays $35 to $40 a month for the service, Lynch said.

The results from Dish World reinforce Lynch's belief that Sling TV will complement Dish's satellite services, not compete with it. He also notes how the music industry's fear of cannibalizing CD sales caused them to react far too slowly to the changes in the market, and "they paid a huge price for that."

In designing Sling TV, Lynch said, one key goal was to make the service as easy to sign up for and as accessible as online entertainment services such as Spotify. That meant no contracts, no hidden fees, simple installation, no limits on where the service can be used (in the United States, at least), and no special equipment required. At launch, the service will work on a long list of devices, including PCs, Macs, Roku players, Xbox Ones, Android and iOS devices, Google's Nexus Player, Amazon's Fire TV stick.

Dish is also willing to carve up the market into segments based on their interests, something the traditional pay-TV industry hasn't done much of beyond the occasional specialty tier. For an extra $5 a month, Sling TV will offer a children's tier (with Disney XD, Boomerang and three other networks), a news and information tier (with Bloomberg and three others) and a sports tier (lineup as yet undisclosed).

As for local channels, Lynch said that Sling TV didn't need to include them because "that market is being served." That's not true online, however. Only CBS offers a live stream to viewers who don't have a pay-TV subscription, and that sells for almost $6 a month. It's possible to stream live TV online with a Slingbox (from Sling TV's corporate sibling Sling Media, which isn't involved in the online TV service) and a set of rabbit ears, but that's not cheap, nor is it a reasonable option for someone with poor over-the-air reception.

Lynch said Sling TV may make over-the-air channels available as an extra tier at some point. To do so, however, the company will have to obtain licenses from the broadcasters. Its deal with ABC included those rights; the one with CBS did not.

Another piece missing from Sling TV is regional sports channels, and those are likely to stay missing. Those networks are expensive, and the operators insist that pay-TV operators spread their costs across all their subscribers. "That's not a model that works for us in this service. That's the traditional pay-TV model," Lynch said. "We think consumers should have a choice whether they pay for that or not."