

Breaking up the bundle? Dish relegates ESPN to an add-on

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This Feb. 23, 2011 file photo shows three Dish Network satellite dishes at an apartment complex in Palo Alto, Calif. Dish Network is offering a new "skinny" bundle of about 50 cable channels that doesn't include ESPN and some other sports channels, giving people who don't care about sports a way to save money on TV without joining the ranks of "cord cutters." (AP Photo/Paul Sakuma, File)

Dish Network is offering a new "skinny" bundle of about 50 cable channels that doesn't include ESPN and some other sports channels, giving people who don't care about sports a way to save money on TV without joining the ranks of "cord cutters."

Sports channels are among the most expensive for cable and satellite TV companies and are usually included in big cable bundles. That drives up the bill for all customers, whether they enjoy watching ball games or not.

Dish's new "Flex Pack" starts at \$30 a month, not including fees and taxes, while a big cable bundle typically costs about \$90.

Dish is not the first cable distributor to sell a smaller basic cable bundle without ESPN, however.

Comcast has done so for nearly a decade. And Dish's package is similar to Verizon Fios' "Custom TV" when it launched in April 2015. Verizon also made ESPN (and lots of other channels) add-ons to a smaller cable bundle. Then ESPN sued and other programmers protested. Custom TV was revamped in February to two core bundles, one sports-focused and one not, with fewer options for groups of channels to add.

Custom TV has "been diluted pretty badly" since those changes, said Craig Moffett of MoffettNathanson Research. Verizon spokesman Ray McConville says the revised version of Custom TV is more popular and changes were made in response to customer feedback rather than programmer demands. Verizon settled with ESPN in May.

Dish has "a good relationship with ESPN" and let all the programmers know about the new package, said Warren Schlichting, the Englewood, Colorado, company's executive vice president of marketing, programming and media sales. It "takes cooperation on both sides," he said.

An ESPN spokeswoman did not respond to a request for comment.

Moffett says that if entertainment companies don't fight Dish, other cable and satellite companies are likely to copy it, meaning savings for lots of TV lovers who don't watch sports.

The Flex package comes as Dish's satellite TV service has been bleeding customers. The traditional TV industry overall has lost about 2 million customers over the past three years, according to research firm SNL Kagan, as online TV alternatives proliferate.

Schlichting said that the new Dish bundle is not aimed at cord cutters, or people who have canceled traditional TV. Neither is it meant to compete with Sling, Dish's internet TV package that starts at \$20 a month. But it will compete with Dish's existing, bigger bundles and offerings from cable companies and DirecTV.

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Dish's Flex package has about 50 popular cable channels, including AMC, home to "The Walking Dead;" channels that show some sports, like TNT; there's also Food Network, FX, A&E and CNN. There are eight groups of channels customers can add that cost extra. Local networks like ABC and CBS cost \$10 (they're also available over the air free with an antenna). Other add-ons include news, sports and kids channels. A DVR costs more, not signing up for autopay means an extra \$5 and of course there are the typical taxes that come with cable. Dish says the price of the original bundle stays the same for 2 years. It won't say what the price will be after that.

It's cheaper than Dish's other packages, especially if you get local channels with an antenna. But you have to be fine with missing out on popular channels like college-focused regional sports networks, ESPN, Fox News or Disney Channel. If you wanted just those channels, you would have to add a bunch of additional channel packs that bring the bill to \$80, more than Dish's existing bundles. Premium channels like HBO are also extra.

And then most households will still want fast internet service, which often costs about \$40 and higher by itself. That's a disadvantage for Dish, because cable companies give discounts when customers pay for both TV and internet together.

Schlichting said Dish Network Corp. would consider the Flex packages successful if "much lower than a majority" of customers choose them. Verizon has said the smaller Custom TV cable bundles make up about 40 percent of Fios TV sales.

"The more successful these sports-less bundles are, the more I think you'll see it replicated by peers," said BTIG analyst Rich Greenfield. That's not good for ESPN, he said, which has already lost millions of subscribers.

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