Dish, Disney Deal Envisions Internet-delivered TV

Ryan Nakashima, AP Business Writer

LOS ANGELES (AP) — With a string of recent deals, cable and satellite providers are beginning to acknowledge a brutal truth that companies like Hulu and Netflix have known all along:

Many TV viewers, especially young ones, want shows and movies on their own terms — wherever, whenever and on whatever devices they choose.

Dish Network took a big step toward such a future with a deal announced Monday with Disney. The agreement opens the way for the satellite TV service to live-stream Disney-owned channels like ESPN and ABC over the Internet to customers' smartphones, tablets, video game consoles and other devices.

The goal is to attract so-called cord-cutters who have become disenchanted with large channel packages and rising monthly bills for cable or satellite service.

Charlie Ergen, Dish Network Corp. chairman, hinted at the underpinnings of the deal last month, when he admitted that the traditional pay-TV business model — charging customers $80 or $100 a month for hundreds of channels, many of which they never watch — is not appealing to younger people.

"We're losing a whole generation of individuals who aren't going to buy into that model," he told analysts. "Obviously you'd like to kind of have your cake and eat it too, and make sure that you come up with products that can engage that new generation."

The new service will bypass Dish's 14-million-customer satellite system and offer content via the Internet in much the same way that Netflix delivers video.

No start date has been announced. Dish will probably have to cut similar deals with other programmers to make such a service attractive.

Dish would not say how much the service might cost, except that it would probably be cheaper than current packages.

The deal is the first of its kind between a major pay TV distributor and a top media company. But the pair won't be alone in trying to launch such a service.

In January, Verizon Communications Inc. bought Intel Corp.'s media group with an eye toward launching an Internet-delivered TV service over mobile devices. Sony Corp. also said that month that it would launch an Internet-based TV service in the U.S. this year.

"It's hard not to see this as the beginning of the virtual (multichannel video service) that we've been waiting probably two years for," said Rich Greenfield, an analyst with BTIG Research.

He said that while 100-plus channel packages and high-definition picture will still appeal to most TV consumers, an online-only TV service with mobile capability and lower price will appeal to others.

"I think it's realizing that it isn't a one-size-fits-all market for multichannel video," he said.

Dave Shull, Dish's chief commercial officer, said Dish's offering will target people ages 18 to 34 who live in apartment buildings, don't have multiple TV sets and "are looking at something that is lower-priced and doesn't come with the traditional pay TV commitment."

For Dish, that commitment usually means a two-year contract with a price increase in the second year. Long-term contracts allow the company to make a profit while covering the cost of launching and maintaining satellites, installing satellite dishes on roofs and putting set-top boxes in living rooms and dens.

By delivering video over the Internet, Dish would probably be able to contain the cost of the new offering significantly.

One question is how Dish will deliver the programming to people's homes because, like Netflix, the service could put a strain on Internet providers such as cable companies, which may be tempted to charge Dish for better access or faster delivery speeds.

The deal's financial terms were not disclosed. But as part of the agreement, Dish agreed to disable — for three days after the initial broadcast — a function on its Hopper digital video recorders that allows people to automatically record and strip out commercials from prime-time weeknight programming. But that provision applies only to programs on ABC.

The two companies had fought a legal battle over the so-called AutoHop function.

Dish CEO Joseph Clayton said in a statement that the deal was "about predicting the

future of television."

The companies said they will work together on new advertising models.

Dish and Disney said they are looking at inserting ads into programming based on viewer data, developing new ways of advertising on mobile devices, and measuring viewing for longer than the current industry standard that includes the live broadcast plus three days of DVR viewing.

Source URL (retrieved on *09/01/2014 - 8:22pm*):
http://www.wirelessweek.com/news/2014/03/dish-disney-deal-envisions-internet-delivered-tv