

Channel 4

Can the broadcaster adapt its revenue model to a changing market, asks Sarah Johnson

Set on the route of 'managed decline' is the way Ed Richards, chief executive of Ofcom, described Channel 4 last week. This seemingly confirmed the pleas of its chief executive, Andy Duncan, who has been telling anyone who will listen that the channel will have a £150m annual funding gap by 2012.

For a privately owned business, this would spell disaster and probably bankruptcy. But as a publicly owned broadcaster, C4 has a back-up plan: beg for public money, which has now been rejected, or thrash out a merger with one of its rival broadcasters.

Fortunately, Duncan's calls have not fallen on deaf ears. Since Ofcom's report, the government has expressed a willingness to explore the latter option, and a potential merger with BBC

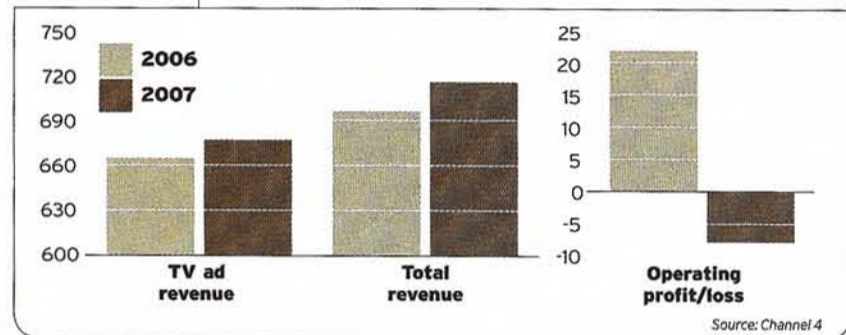


Channel 4 faces an uncertain future

Worldwide is on the cards. However, this in turn could be risky for the C4 brand, as it is dependent on it extending its public-service obligations.

Herein lies the potential problem – one of the broadcaster's strengths in attracting advertisers is that it provides

Vital signs C4 revenue (£m)



a target audience of young, upmarket viewers. But if C4 takes on further public-service commitments, as Ofcom proposes, it may have to widen its audience, thus losing this advantage.

Will Channel 4 be able to make the transition into a partnership for

funding while maintaining its distinct brand identity? We asked Andrew Hawkins, chief executive at DCH, who worked on the Carlton TV account, and former BBC marketing director Sue Farr, chief executive at Chime Communications.

Diagnosis Two industry experts suggest how Channel 4 can regain its cutting edge



'Critics should revisit the original Channel 4 values: daring, inventive and experimental'

Andrew Hawkins managing director, DCH

I love Channel 4. From *The Last Resort* to *The Daily Show*, from *Hill Street Blues* to *The Sopranos*, it has helped me navigate Thursday and Friday-night viewing for 25 years.

I subscribed to Film4 when you had to pay for it, as much to 'do the right thing' as for the content. My latest instalment of payback came last Saturday night, when I saw *Slumdog Millionaire*, a Film 4 co-production, the star of which 'was discovered' by Danny Boyle's daughter – a fan of E4's *Skins*.

The sheer strength of the brand is best demonstrated when you can identify shows that 'should really have been on C4', like *Mad Men* and *The Wire*. Critics of this dependence on US imports should revisit the original C4 values: daring, inventive and experimental. C4 should be about intelligent entertainment, and if it does not create cutting-edge content, it needs to buy it.

The broadcaster is looking at a hole of £150m in 2012 once analogue is switched off. Broadcasting's equivalent of the Royal Mail, subject to the vagaries of the commercial world and Westminster, the poor bastard child of conflicted parents, C4 needs some help.

Remedy

- Preserve the integrity of the brand at all costs.
- Resist any merger with Five. The 'mixing oil and water' simile used by Andy Duncan was too polite.
- Embrace the idea of a deal with BBC Worldwide that would allow the broadcaster to remain independent of state aid, and provide a ready source of content appropriate for it.
- Hire the buyer at FX who had the vision (or budget) to buy *The Wire*, *Dexter* and *Generation Kill*.
- Say goodbye to *Big Brother*.



'The current part-private, part-public funding model cannot survive the seismic market shift'

Sue Farr chief executive, Chime Communications

In the past few days, both the government and Ofcom have committed to a plurality in public-service broadcasting, which the majority of viewers and listeners appear to support, as do advertisers and programme makers.

The difficulty lies in delivering it. For months now, arguments have been raging about what plurality might look like and who would fund it, and the future of Channel 4 lies at the heart of this debate. The current part-private, part-public funding model cannot survive the seismic market shift from analogue to the Martini 'anytime, anywhere' world.

Not surprisingly, all the key players have widely differing views. C4 wants a partnership with BBC Worldwide; the BBC argues for a C4/Five merger. And Ofcom itself has warned that creating a second PSB entity is an 'ambitious, challenging and complex' idea that could prove unworkable.

Amidst this high-profile and increasingly bad-tempered furor, what, if any, is the impact on the C4 brand?

Remedy

- Take every opportunity to remind advertisers, viewers and opinion formers of C4's remarkable programming heritage and public-service credentials. That legacy continues today with *Slumdog Millionaire*, an award-winning film co-financed by Film4.
- Get Kevin Lygo and his fantastic team of commissioners out on the road; they have been strangely silent over the past few months.
- Encourage the brilliant in-house marketing team (until recently led by Polly Cochrane) to work miracles on diminishing budgets. Keep the on-air look innovative and edgy, increase the cross promotion, be bold and heavily support the key PSB programmes.

