



## **Keynote: balancing act: earned income vs. public service**

Jonathan Allan, Sales Director – Channel 4

### **Introduction**

Jonathan Allan studied economics at Newcastle, worked with the advertising agency Cravens and then for London-based media agency OMD where he would become managing director and then in September 2011 he became Sales Director at Channel 4. The organisations that we work for are familiar with balancing the challenge of financial, social and artistic objectives and Jonathan's going to talk about how Channel 4 shares some of those concerns and shares the need to make that balance which led to them going all in on their coverage of the London Paralympics.

### **Balancing act: earned income vs. public service**

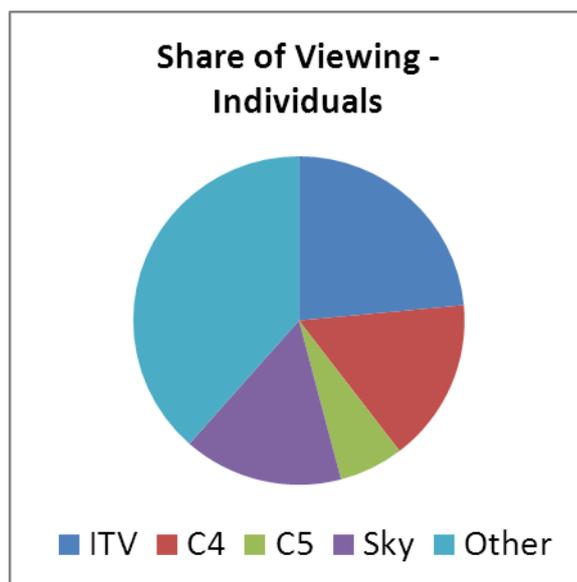
Channel 4 has a unique business model that was set up 30 years ago. Jonathan played a video of the launch of Channel 4 which reminded delegates of the then brand identity and that the first programme was *Countdown* which is still going strong. The key facets to our model are that while we are publicly owned we are completely commercially funded.



We don't take any license fee money or tax payers' money. Despite being commercially hungry we are also not for profit. So every penny we earn goes back into content and innovation. We also have a very clear mandate from parliament to deliver a public service and educational programming, demonstrate innovation and take creative risks and appeal to a culturally diverse society and also exhibit distinctive character. Additionally, back in 1982, one of the primary reasons Channel 4 was set up was to invest in a burgeoning independent production fraternity who were struggling to break through the job-listed environment of the BBC and ITV where they held all the cards. We make no programmes ourselves and we try to work with a diverse range of external independent companies – we worked with over 450 in the UK in 2012. We also have very strict regional production quotas to ensure that our commissioning isn't focused on London and that we get a diverse range of regional output.

We believe that it's our unique model and status that allows Channel 4 to keep on playing the distinctive commercial, social and economic role that it does so today. And we know that preserving the essential strength of Channel 4 is one of the greatest responsibilities that I, and the board of Channel 4, have been given. As a not-for-profit public service broadcaster our main priority is to deliver content that fulfils our remit to be distinctive, innovative, diverse and experimental. We do that purely by living on our commercial wits and our commercial activity has a very clear purpose – it's not there to pay shareholders it's there to fulfil our public service ends. There's a beautiful purity to our model but it's not one where purity makes our job easy as we're constantly juggling the demands of delivering public service content and balancing commercial needs – balancing the profitable and the unprofitable and also content within the schedules to make sure that we're maximising the public-service delivery but also operating on a sufficient scale to deliver public impact and commercial return. There've been quite a few instances which I'm sure you've experienced in your businesses where we've need to 'square this circle'.

So, public impact drives our business and we measure that by our share of all individuals' viewing. That really is the key measure that the government; OfCom look at to make sure that Channel 4 is delivering the reach that it requires. But from my perspective as Sales Director I'm more interested in our figures for young people (16-30 years old) and upmarket people. Young people are worth roughly four times the value to advertisers as all individuals in terms of costs per thousand. So in terms of yield we're more interested in the sub demographics.



That's one big area where our commissioning team not only have to deliver share of individuals for public service but also have to make sure that we're delivering 'upmarket' and 'youngs'. You need to commission very different programming to suit each of those audiences. This quandary translates into each of the programmes we commission and schedule. So, we run an hour-long news programme at 7pm every weekday but if we were a purely commercial business this wouldn't make commercial sense in terms of the ratings and also revenue. However, it is a key element of delivering public service. Channel 4 news won 6 RTS Awards for journalism this year – more than any other broadcaster – and broke a number of key stories including 'Plebgate' and also producing in-depth reportage on the situation in Sri Lanka and more recently Syria.

Other fantastic examples of providing public service include *despatches*, *Random Acts* and Grayson Perry's; *In the Best Possible Taste* which won a BAFTA last year and much more in terms of diversity in programming which doesn't necessarily deliver huge ratings. However we also run some slightly more commercially beneficial shows such as *What Happens in Kavos*, *8 out of 10 Cats*, *The Simpsons* and *Hollyoaks*.

I think that what's important is sometimes, in a perfect world, we often find content that delivers public service but that also rates extremely well such as *Plane Crash*, *The Snowman and the Snowdog*, *One born every minute* and *Skint*. We also like to create a stir now and again and we thought it might be a little controversial but we were surprised by the commentary around our focus on Ramadan this year. It's important to say that while at a micro level balancing all of these things may feel difficult from a macro perspective it's actually our public service remit which makes Channel 4 unique and different and more valuable to advertisers. So because we schedule things in an eclectic way, because we look for different types of programming to suit a different audience we deliver reach more cost effectively than any other channel and we also attract lots of young and upmarket people who don't watch a lot of TV – so-called 'light viewers' – which adds unique cover to clients' TV campaigns. This means we also provide efficiency in targeting audiences in a tight way. If we didn't have our remit and we weren't a public-service broadcaster we don't think that we'd be as good a broadcaster to work with in a commercial sense and also if we made our own programmes we wouldn't have the diversity. Also, if we weren't not for profit we wouldn't have as much money to invest into producing content so in terms of turning advertising money into ratings we're very effective. Only 800 people work at Channel 4 as opposed to many thousands at ITV and BBC.

Despite the hugely challenging environment out there we've maintained audience and portfolio at around 80% over the last ten years. We remain successful at Channel 4 through the innovation and risk taking that's baked into our business model and is the heart of our remit. One of our mottos at Channel 4 is 'to be first, make trouble and inspire change'. We're certainly looking into the future and firmly believe that technology presents a huge opportunity to strengthen our core business of PSB content rather than undermining it. All of us in the media are trying to navigate through one of the most destructive periods in broadcasting history while we believe that people who aren't afraid to try new things and find new ways to engage their audiences will last the course. Innovation is something that defines Channel 4 whether it's our approach to tackling Big Screen, big ideas on screen, all the ways we connect with viewers. We're the first PSB to launch

an HD Channel, red-button interactivity and a Plus one. We believe the future of TV is powered by digital.

The first digital foray was to launch a portfolio of digital channels – something a bit more tailored ... these channels are a perfect example of ‘squaring that circle’ as the profit made from these channels can be invested back into Channel 4. Launching new channels however is not always plain sailing and 2-3 years after the launch of Film 4 as a paid channel in 1998 it wasn’t a massive commercial success so we decided to re-launch it in 2006 as a free channel where it has worked much better funded through advertising and has allowed us to increase our film production in the UK by a factor of two.



However the latest channel; Channel 4/7, has been an instant success tapping into the insight that lots of people out there live busy lives and might miss some of our great content which means that you can catch up on the seven-day schedule of Channel 4 after having read the reviews or maybe Twitter the night before. We’ve also integrated our commissioning model putting digital application at the heart of our programme as opposed to at the end and we continually evolve our 4OD platform so you can watch live, pause and resume on different devices and later this year you’ll be able to download to watch offline. Next steps are to commercialise our data, investigate short-form content and also beta test a proprietary second-screen app. We now have over 8 million registered viewers, a third of all 16-34 year olds – all verified by Price Waterhouse Coopers which means that advertisers can connect far more deeply with our audiences and also target more efficiently. We’re looking at investing in more high-end, short-form content for the mobile world so that wherever you are or however long you have Channel 4 has something great to show you. We’re also looking to see how this content lives and breathes socially and with regards to a Second Screen we’ve decided to launch our own product called Four Now after we’d tested a lot of second screen apps. [Jonathan played a video introducing the Four Now app]

That will be the next phase in how we can commercialise our model more effectively. The app needs testing over the summer (2013) so do go on iTunes towards the end of this month (July) and have a play around with it – we’re doing a lot of research around it to see how it works for our viewers.

## Paralympics 2012

To finish off ... a defining moment in the Channel 4 model and remit was winning the Paralympics bid in 2010. Channel 4 was a risky choice for LoCOG and the BPA but due to the remit that has been sewn into our DNA to challenge; take risks and give a voice to minorities, as Channel 4 is somewhat the rebel of the UK broadcasting scene, we think that it's precisely for these reasons that the Paralympic committee chose us. We created a rainbow of build-up programming including a weekly magazine programme, we partnered with BT and Sainsbury's to produce over sixty short films introducing all of the UK Paralympians and had coverage in our nightly news programmes. We always knew that we wanted to have Paralympic experts and that meant having more than our fair share of disabled sports presenters. There aren't that many disabled sports presenters in the UK – not nearly as many as there should have been – so we had to go to find them and spent over £0.5 million on a nationwide talent search, selected just a few and trained them up to be presenters.



We realised that people did not know that much about Paralympic sports and it is complicated in terms of its classification system so we pioneered a simple way of explaining this to viewers. We gave the Games our biggest marketing campaign ever in Channel 4's history which shows the importance that we placed upon this event.

We had the multi-award winning *Super Humans* TV Campaign which won a Gold at Cannes, and also a cheeky outdoor campaign; 'Thanks for the warm up'. As a result of the Games we had many people phoning and writing to us saying that it inspired them to see their lives and other people's lives differently.

Jonathan ended his presentation with the *Super Humans* Video from the Paralympic Games.

