



FOUR SALE: WHAT DOES IT MEAN TO US?

BY SARAH JENNINGS | APR 22



FULL STREAM AHEAD

I was just admiring Cathy Newman's expert dismantling of Alok Sharma, Cop 26 Chair, regarding the Government's lack of progress re Climate Change Strategy during Monday night's Channel 4 News when my phone announced that C4 would be sold off.

The announcement was made to the press, with no prior warning to C4 or its staff, just moments before the News went to air. The timing and delivery was pointed; fuelling speculation that this decision is politically motivated.

Whilst the rationale is about competing with global streaming giants, the sale of C4 has been on the Tory agenda for decades; the most recent threat came in 2017 when the then government was appeased by a commitment to move the HQ from London to Leeds.

So despite the 60,000 submissions to the public consultation and a backlash from media agencies, independent producers, and several Tory backbenchers, the government are pursuing the legislation that would bring about a sale.

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IF IT AIN'T BROKE...

Perversely, Channel 4 has never been in better shape. The 2020 financial report cited a staggering £201m in cash reserves, the highest since 2015, this despite ad revenue being down 5% in 2020. The market has been buoyant since growing ad revenues for C4Sales beyond £1bn in 2021, up an estimated 25% year-on-year, and affording a programme budget beyond £700m for the first time. Additionally All4 claims to be the largest free to air streaming service in the UK, and that 80% of 16-24's are registered users. In fulfilling the remit currently 55% of new content on the main channel is made in the nations & regions.



TOUGH COMPETITION

Yet there is no doubt that C4 faces tough competition from an increasingly global marketplace and access to greater funds would be of benefit.

The legislative process will be complex and challenging, the bill facing tough opposition in both the Commons and the Lords. If successful it seems unlikely that the sale will not have significant strings attached in order to fulfil part of the existing remit or ring-fence the editorial independence of the News for example – so just how attractive is Channel 4 as a purchase? Access to valuable back catalogue content is a usual draw for acquisition but Channel 4 owns no rights over any programme that it commissions; the IP staying firmly with the production company.

Potential buyers of the business, estimated to be worth £1bn, may be Paramount - owners of Channel Five, - or Discovery, newly merged with Warner Media, from the US. Closer to home both ITV & Sky may be interested – or at least wary of either competitor increasing their UK footprint. Nadine Dorries, anticipating a lack of interest, may even float Channel 4 on the stock market should a credible offer not be forthcoming.



GENUINE CONCERN

As a former employee of C4, and as a consumer, I am very much against the sale but as an AV Trader, representing JAA's clients, I am genuinely concerned.

The existing remit helps ensure that a diverse range of audiences can be reached on C4 and its partner stations. An evening's viewing can swing between 25 – 34 year olds to 55+ ABC1 men and back again within a couple of peak hours. Mass appeal is not the only driving force for commissioners and a range of programmes from Dispatches to Lady Parts would not appear on a commercially focused station that has to answer to shareholders.

AN ANTI-COMPETITIVE FUTURE?

The media trading market has become more fragmented in recent years but TV trading still involves circa £4.73 billion (Sky figures) that is currently traded through only 3 possible buying points; ITV, Sky & Channel 4. Were ITV to acquire C4 they would own 70% (Financial Times estimate) of that market which clearly would be anti-competitive.

A change to the complex CRR (Contracts Rights Renewal) regulations established to keep ITV in check must already be on the cards as the channel becomes 'Digital First' with the launch of ITVX. Greater market share for ITV will not translate to better value for clients, and whilst Netflix and Apple compete for eyeballs, they are not in market for advertiser revenue. TV inflation is already at an all-time high and clients will be forced to look for better value, notably from Google, Amazon and Meta.



I stayed with C4 on Monday post the news to watch the Dispatches expose of child labour on cocoa farms in the supply chain of Cadbury. Excellent journalism gave us a resounding message that Mondelez, the holding company in the US, are unlikely to act unless sales are affected. I note with regret that no commercial shareholder will be able to afford such editorial freedom to the Dispatches team - but also that I'm only eating Lindt this Easter.



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