

Sharon White  
CEO

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5 June 2018

Dear Alex

### Channel 4 Corporation's 2017/18 Statement of Media Content Policy

As part of the arrangements we have in place with regard to the production of Channel 4 Corporation's ('C4C') annual Statement of Media Content Policy ('Statement'), Ofcom has reviewed the 2017/18 Statement and evaluated C4C's performance in delivering its remit and obligations in 2017. Our findings are set out in detail in the attached report.

Overall, we are of the view that C4C performed well in delivering its remit in 2017. Consumption of its news and current affairs output was broadly steady on television and online, where it continued to tackle issues from alternative points of view. It increased its investment in content of appeal to older children and in educational content for 14-19 year olds, and many of the resulting titles appear to have been popular with these age groups. It also increased its spend on and volume of content produced outside of London. Further, it continues to innovate with the ways in which it distributes content and to support talent in the creative industries through a range of initiatives.

We note that due to the challenging economic circumstances last year, C4C had to reduce its overall content budget in 2017. However, it is positive that its real terms originated content spend was broadly maintained, and was above average spend over the last decade.

In light of the challenging economic backdrop, we have again assessed the financial sustainability of C4C. Our findings indicate that within the most likely range of market scenarios, the corporation should remain financially sustainable and be able to continue to deliver its remit until the end of its licence in 2024. However, we note that the risks to C4C's sustainability are growing, and there are some potential threats which C4C needs to consider carefully. These include any volatility which may impact the advertising market in the short-term, alongside growing competition from large global players in the longer-term.

Despite these threats, we believe that it is possible for C4C to compete and succeed in this evolving landscape. In order to do so, it will be vital that C4C continues to invest in high quality, distinctive UK content, to put clear water between itself and its global competition. In addition, as highlighted in

our update on the PSB system which was published in March this year, collaborating with both traditional competitors and global online players will be increasingly important, requiring partnerships and innovation.

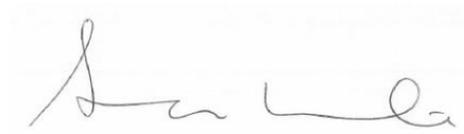
Overall, we commend C4C's performance in a challenging market last year. However, we do believe that there are still some areas where there are opportunities for C4C to do more. These are outlined in detail in the report, but in summary we would note that:

- while consumption of All 4 is growing, this growth may not be keeping pace with changing audience behaviour or with the growth, albeit from a lower base, of its online competitors;
- some core Channel 4 programmes are losing viewers and so it will be particularly important for C4C to continue innovating and commissioning new titles to help build a schedule for the future;
- C4C should continue to experiment with educational titles for 14-19 year olds, beyond the success of *Ackley Bridge*;
- while the overall number of independent producers that C4C commissioned in 2017 increased, the number of producers that were new to C4C declined, and so it will be important that it continues actively to look for and support a wider pool of producers in the market; and
- audiences still perceive that C4C could do more to represent and portray the UK's nations and regions on screen. We note that C4C has now reached an agreement with Government to increase its impact in the nations and regions, which includes plans to move some C4C operations and resources outside of London. Successful implementation of these plans will be of central importance to the business and may also help to tackle these audience perceptions.

In our response last year, we noted the uncertainty C4C was facing at that point in time, including changes to its leadership team. As a result, the 2017/18 Statement contains less detail on the forward-looking strategy than in a typical year, while the new team continued to develop their thinking and vision for the Corporation. We note that the headlines from C4C's new strategy were announced on 16 May 2018, and Ofcom executives met with the C4C leadership team on 30 May to discuss their plans in more detail and how they might seek to respond to some of the opportunities that we have identified through our assessment. This includes more investment in All 4 to improve the user experience and increase consumption via the platform, creating space and funding in the schedule for more experimentation, a focus on brands and titles which will deliver for younger audiences, and continuing initiatives to be the best partner for creative talent.

We have copied this correspondence and the attached report to the Secretary of State and the Chairs of the Parliamentary Select Committees. We also intend to publish both documents on our website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sharon White', written on a light-colored background.

Sharon White  
CEO

cc. *The Rt Hon Matt Hancock MP, Secretary of State for Digital, Culture, Media and Sport*  
*Damian Collins MP, Chair of the Commons Select Committee for Digital, Culture, Media and Sport*  
*Lord Gilbert of Panteg, Chair of the Lords Select Committee for Communications*

# Response to Channel 4 Corporation's Statement of Media Content Policy 2017/18

## About this review

Channel 4 Corporation ('C4C') is publicly-owned, but commercially-funded and operates a not-for-profit model. The main channel, Channel 4, is a public service broadcaster and was launched in 1982 with the aim of extending the choice available to viewers, appealing to tastes and interests not generally catered for by other broadcasters, and in doing so, encouraging innovation. Since then, C4C has also launched a range of additional services such as digital portfolio channels (E4, More4, 4Seven, 4Music and Film4), an on-demand service (All 4), and the Film4 production company.

While the main channel has a unique public service remit and should also contribute to the overall objectives of public service broadcasting<sup>1</sup> ('PSB'), the Digital Economy Act 2010 ('DEA') extended C4C's obligations beyond the main channel by introducing media content duties which C4C can deliver across its full suite of services.<sup>2</sup> The DEA also introduced a requirement for C4C to produce an annual Statement of Media Content Policy ('Statement') setting out how it delivered its remit over the course of the previous year and how it plans to do so in the coming year. In preparing the Statement, C4C must have regard to guidance issued by Ofcom<sup>3</sup> and consult Ofcom. This is an important mechanism for ensuring that C4C is effectively held to account for the delivery of its remit. In addition, C4C is also required to lay its Annual Report and Accounts before Parliament.

This report comprises Ofcom's response to C4C's Statement for 2017/18, setting out our views on the delivery of its duties last year. We have also carried out an assessment of the financial sustainability of C4C, to assess its ability to continue delivering its remit in the future.

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<sup>1</sup> These objectives are set out in sections 264(4) and (6) of the Communications Act 2003 and include (amongst other things) the provision of relevant television services which secure that programmes dealing with a wide range of subject-matters are made available for viewing, and that such services are provided in a manner which is likely to meet the needs and satisfy the interests of as many different audiences as practicable.

<sup>2</sup> An overview of C4C's remit and duties can be found in Annex 1.

<sup>3</sup> Guidance note for completion of C4C combined statement of programme and media content policy: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0022/27265/c4c-guidance-note.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0022/27265/c4c-guidance-note.pdf)

## Ofcom's assessment

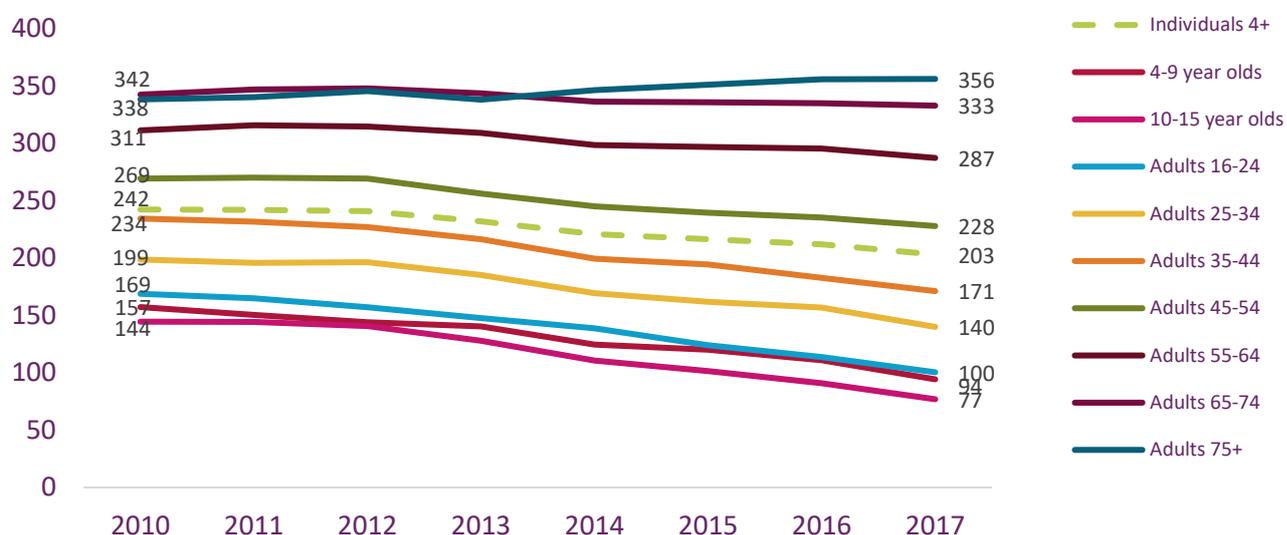
### Market context and overall consumption trends

In common with the other broadcasters, C4C faces a number of challenges as the media landscape undergoes fundamental change

C4C's annual Statement covers a specific period. It reports on C4C's performance in delivering its remit and media content duties in the previous year, as well as its plans for doing so in the forthcoming year. However, as part of our assessment of C4C's Statement, it is also important for us to consider the wider changes that have occurred in the broadcasting market over a longer time frame. Many of these changes were assessed and summarised in the document 'Public service broadcasting in the digital age' which we published in March this year.<sup>4</sup>

Greater online media consumption and escalating competition from global players such as Netflix and Amazon mean audiences now have a wealth of choice over what they watch, and how and when they watch it. This has led to shifts in viewing habits. Figure 1 shows that audiences, and younger audiences in particular are watching less broadcast television. Analysis of BARB data shows that across all individuals, viewing of traditional linear broadcast television (on a television set) has fallen by 16% from an average of 242 minutes per person per day in 2010 to 203 minutes.

**Figure 1: Average minutes of daily viewing of total TV viewing, by age: 2010 -2017**



Source: BARB. Network, all individuals. Consolidated viewing (live and time-shifted up to 7 days viewing).

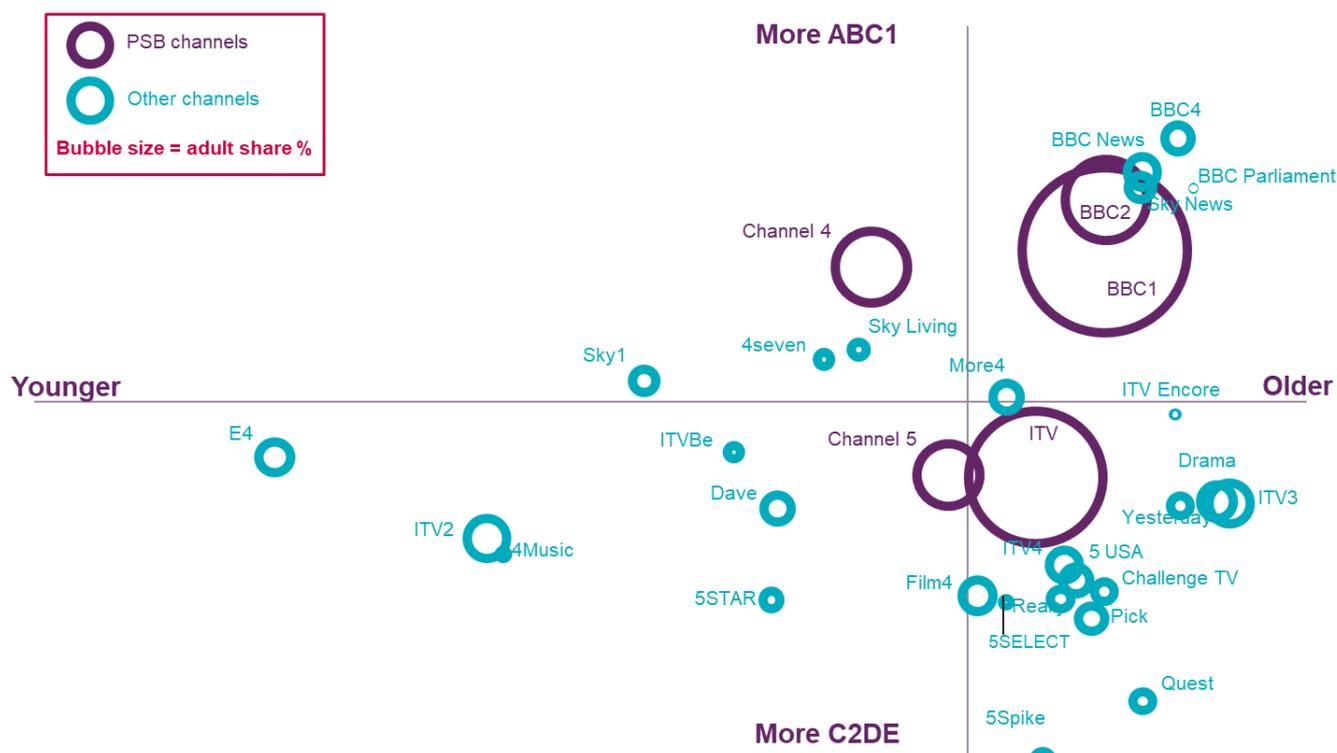
The average weekly reach of broadcast television to UK households has also declined in recent years although it remains high. In 2017, 90% of the TV-watching population watched TV each week,

<sup>4</sup> Ofcom, Public service broadcasting in the digital age: Supporting PSB for the next decade and beyond, 8 March 2018: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0026/111896/Public-service-broadcasting-in-the-digital-age.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0026/111896/Public-service-broadcasting-in-the-digital-age.pdf)

compared with 92% in 2016 and 93% in 2010. There are, however, some marked differences between different age groups. The largest declines in weekly reach between 2010 and 2017 were experienced among the younger age groups; a decline of 6 percentage points ('pp') among 4-9 year olds, 10pp among 10-15 year olds and 7pp among 16-24 year olds. This is set against a relatively unchanged picture in weekly reach to those aged 45 and over.<sup>5</sup>

As a consequence of these falls in time spent viewing by younger audiences and an ageing UK population, the viewer profiles for all the PSBs (and TV more broadly) is skewing older. Clearly, this trend will have an impact on how C4C delivers its remit and media content duties, although, as Figure 2 shows, Channel 4 viewing does still skew much younger than the other PSBs and a higher proportion of its audience are ABC1.<sup>6</sup> Thus, Channel 4 continues to be able to offer a unique proposition to advertisers in terms of reaching these audiences. E4, 4Music and 4Seven also have some of the youngest audience profiles.

**Figure 2: TV Channel profiles based on age and socio-economic group of audiences: 2017**



Source: BARB. N.B. Whole Day 1/1/2017 – 31/12/2017. Size of bubbles relate to Adults 16+ share. Profile based on age: % 35+, social class: % ABC1 (base all adults). Axes cross at the average age/social profile of Total TV. Includes HD variants, excludes +1 variants.

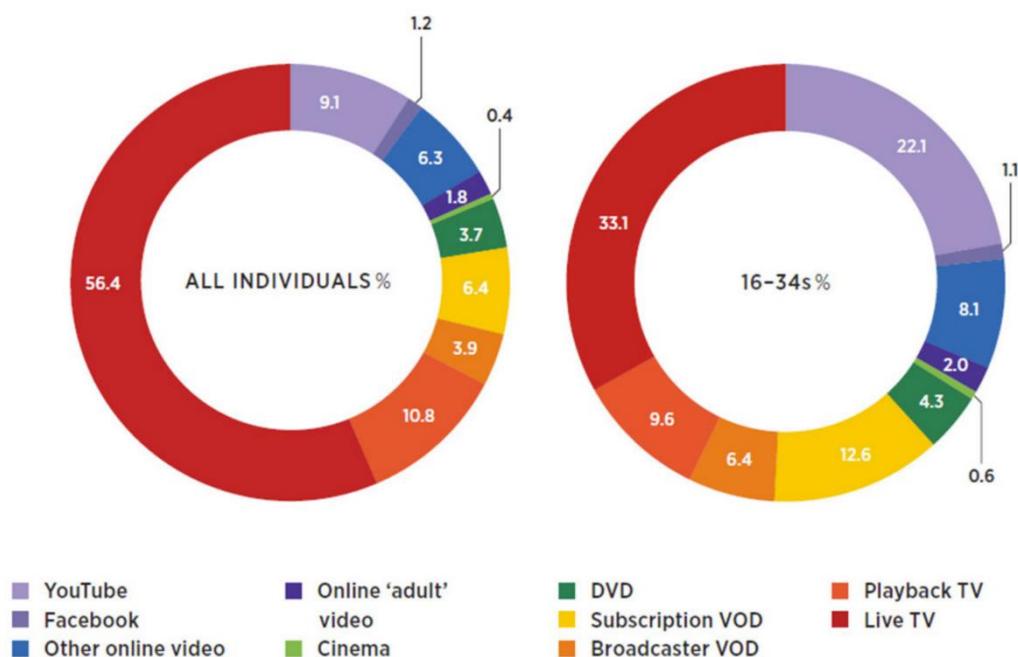
Another key trend we are witnessing is that audiences are increasingly watching content on-demand using catch-up players and streaming services, and viewing recorded television. Again, as

<sup>5</sup> BARB. Network, individuals. Reach criteria: 15+ consecutive minutes, full weeks used.

<sup>6</sup> A description of the different socio-economic classifications can be found in the glossary at Annex 2.

demonstrated in Figure 3, the data shows that younger viewers have different consumption habits with broadcast television now accounting for only a third of 16-34 year olds' daily viewing time.<sup>7</sup>

**Figure 3: Average video viewing time per day (%), all individuals and 16-34: 2017**



Source: Thinkbox, using data from BARB, comScore, Broadcaster stream data, Ofcom Digital Day, IPA Touchpoints and Rentrak.

While reach continued to decline in 2017, the share of viewing to C4C's TV channels has held steady

Given the pressures facing broadcast television, C4C continues to hold a strong position in the market. C4C's family of channels (Channel 4 and its portfolio channels) still have a high overall reach amongst the UK population. Fifty eight percent of people watched one or more of these channels on average each week in 2017. This represents a decline of 1.7pp year on year but is in line with the declines experienced by the other PSBs and their portfolios.

With responsibility for the delivery of Channel 4's unique public service remit<sup>8</sup>, it is clearly vital that the main channel continues to reach large numbers of people. Last year we expressed concern that in 2016 reach to the main channel fell by a greater amount than the other PSBs. In 2017, although Channel 4's reach declined again year on year (down 1.3pp to 42.3%)<sup>9</sup>, this decline was smaller than

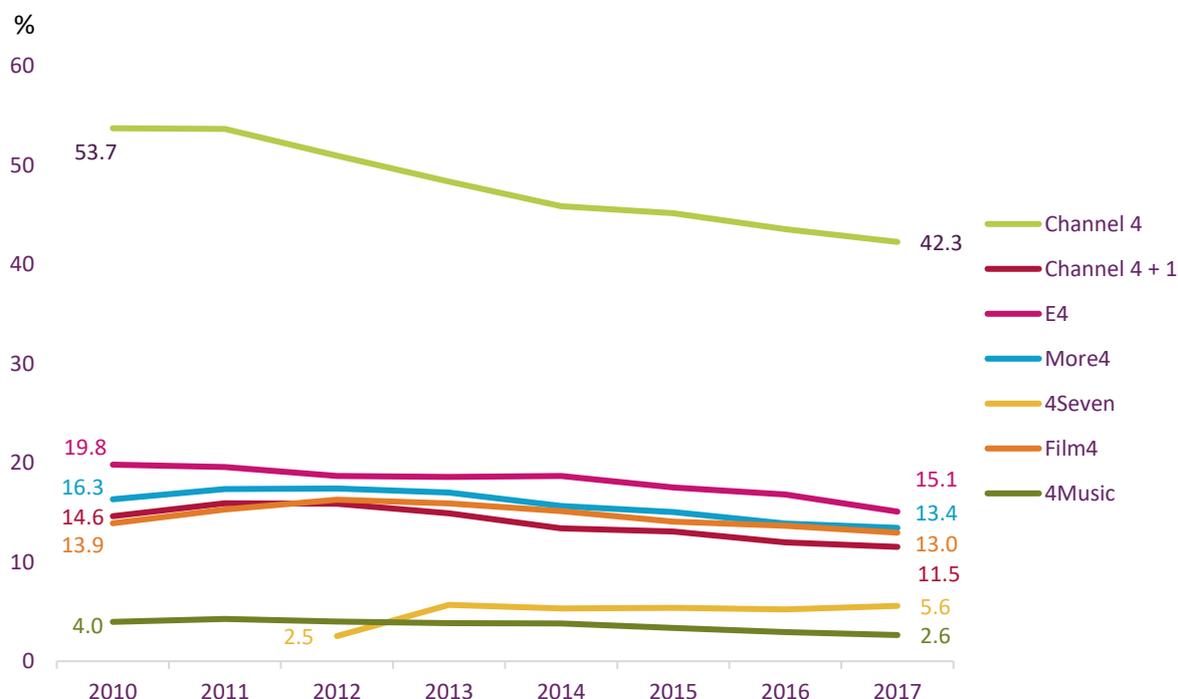
<sup>7</sup> Thinkbox, The Video World in 2017: <https://www.thinkbox.tv/News-and-opinion/Blogs/The-Video-World-in-2017>

<sup>8</sup> Section 265(3) of the Communications Act 2003. See Annex 2 for more information.

<sup>9</sup> Ofcom analysis of Channel 4's performance excludes Channel 4+1, unless otherwise stated. This differs from the methodological approach taken by C4C for its statement, where its figures for Channel 4 include Channel 4 + 1. Our analysis of the portfolio channels excludes Channel 4 but includes all the +1 channels including Channel 4+1.

the declines on BBC One (down 2.5pp), BBC Two (down 1.8pp) and ITV (down 2.1pp). Channel 5's reach also declined, but by the smallest amount of all the PSBs (down 1.1pp).

**Figure 4: Average weekly reach of C4C channels to all individuals, 2010-2017**

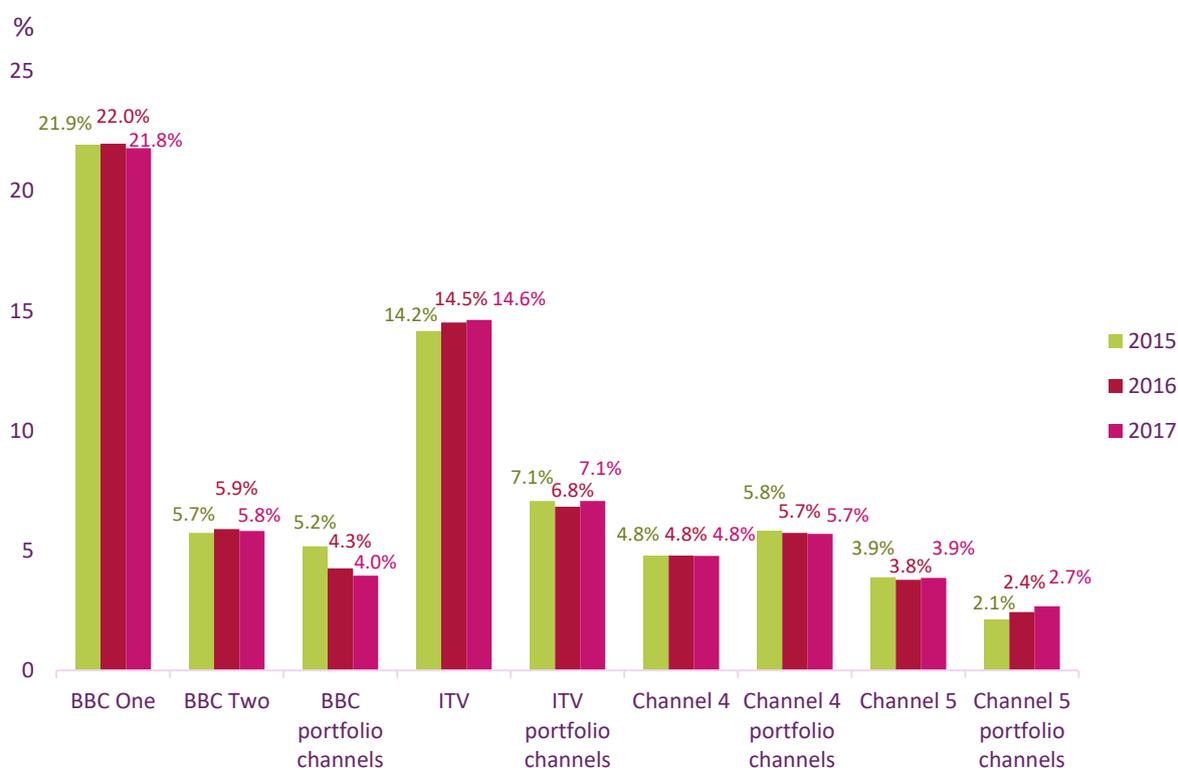


Source: BARB. Network, individuals 4+. Reach criteria: 15+ consecutive minutes, full weeks used. N.B. Reach for E4, More4 and Film4 includes +1 variants. 4Seven only started broadcasting from 2012.

Similar to the other PSBs, the largest falls in Channel 4's weekly reach were among the younger audience groups; down 3.3pp year on year among 10-15 year olds and down 2.9pp among 16-34 year olds. Among those from an ethnic minority background, Channel 4's weekly reach declined (by 1.7pp), but by a smaller amount than it did for the other main PSB channels: down 3.7pp for BBC One; down 2.5pp for BBC Two; down 3.1pp for ITV; and down 2.3pp for Channel 5.

In relation to audience share, as Figure 5 shows, C4C's performance has held up well in recent years. In 2017, the share of viewing to both Channel 4 and C4C's portfolio channels remained flat year on year at 4.8% and 5.7% respectively. The shares of the other main PSB channels and their portfolios were also relatively flat over the same period, however the share of the BBC portfolio channels has declined in recent years, largely due to BBC3 becoming an online-only service in February 2016. Channel 5's portfolio channels have gradually increased their collective share. This was driven by the launch of 5Spike in 2015 and the subsequent growth of its audience share.

**Figure 5: Share of viewing to PSBs and their portfolio channels, all individuals: 2015 -2017**



Source: BARB. Network, individuals 4+. +1 channel variants are included as portfolio channels where relevant for this analysis.

C4C’s share performance across different audience demographics also tells a similar story, with broadly stable figures year on year. Among C4C’s key demographic, 16-34 year olds, the main channel’s share remained at 6.3%, and across the portfolio channels share for this age group was 10% in 2017 compared to 9.9% in 2016. Amongst ethnic minority audiences, the main channel’s share stood at 4.0% in 2017, compared to 3.9% in 2016. The portfolio channels combined experienced a slight decline in their share among this audience group, falling from 6.4% in 2016 to 6.1% in 2017.

**E4 maintained its viewing share amongst 16-34 year olds, but is no longer the most watched digital channel**

As the channel with the largest audience in the portfolio, the performance of E4 is critical to C4C’s wider success in attracting and retaining younger audiences. It is therefore of some concern that the greatest decline in reach across the C4C family came from E4<sup>10</sup>, falling from 16.8% in 2016 to 15.1% in 2017 (-1.7pp). Reflecting the wider market dynamic, this fall was driven by marked declines in reach to its core audience of 16-34 year olds (down by 3.1pp) as well as 10-15 year olds (down by 4.1pp).

<sup>10</sup> This analysis includes E4+1.

The channel did broadly maintain its share of viewing among all individuals at 1.7% (down 0.2pp on 2016).<sup>11</sup> Its share of 16-34 year old viewers was also relatively flat at 5.2% (up 0.2pp). However, as C4C reports in its Statement, E4 is no longer the most watched digital channel amongst this age group, despite this being C4C's ambition for the channel at the start of 2017. It has now been overtaken by ITV2<sup>12</sup>, which increased its share of 16-34 year old viewers to 5.5% (up by 0.8pp).

In response, C4C has informed us that despite E4 not maintaining its place as the most watched digital channel, the channel still had a successful year and its share performance among 16-34s was its second best on record. C4C's ambition is for E4 to re-establish its lead among 16-34s, and C4C has recently announced that it will be increasing the channel's programme budget and introducing a dedicated Controller for the channel reporting to the Director of Programmes. Beyond this, C4C is also taking a broader view and thinking about how it can strengthen its offering to younger audiences.

### Online consumption of C4C content continued to grow in 2017

Bearing in mind the changes in viewing behaviour which were outlined above, it is positive to see that C4C's online platform All 4 is continuing to grow steadily. C4C reports that All 4 now has 16.6m registered users, an increase of 11% year on year, and 719m programme views were initiated across All 4-branded platforms<sup>13</sup> last year, a year-on-year increase of 16%.

Findings from the BARB Establishment survey show that in comparison in Q4 2017 8.15m households reported that they subscribe to Netflix, 4.27m to Amazon Video, and 1.5m to Now TV.<sup>14</sup> These figures have grown substantially since Q4 2016, representing growth of 24.8% for Netflix, 41.1% for Amazon Video and 40.2% for Now TV. While these growth figures are much higher than the 11% growth in registered All 4 users year on year, we recognise that they are not directly comparable since they start from a lower base.

In terms of weekly reach, TouchPoints data<sup>15</sup> indicates that, at 8%, All 4 has the third highest weekly reach of all of the PSBs' on-demand services among those aged 15+, behind the BBC iPlayer (27%) and the ITV Hub (11%). Channel 5's on-demand service, My 5, has the lowest weekly reach at 5%. All 4 also has a lower weekly reach than Amazon Video (12%), YouTube<sup>16</sup> (14%) and Netflix (22%).

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<sup>11</sup> This analysis includes E4+1.

<sup>12</sup> This analysis includes ITV2+1.

<sup>13</sup> Both C4C's owned and operated platforms as well as syndicated platforms. Owned and operated platforms are those which C4C controls both the development of and the monetisation of views. Syndicated platforms refer to Sky and Virgin Media, either through their set-top boxes or their mobiles/tablets. C4C do not own or operate these platforms, and views are significantly harder to monetise.

<sup>14</sup> Source: BARB Establishment Survey Q4 2016 and Q4 2017. Q – Do you or anyone in your household, subscribe to any of the following...? (LoveFilm/Amazon Prime Instant Video; Netflix; NowTV). Note: subscription numbers potentially may include households currently on free trials. There may be overlaps in each type of subscription home. We note that the BARB Establishment survey figures are per household, rather than per individual, and so may not represent the full extent of users to the service. In addition, figures for SVOD subscriptions are likely to be lower due to the fact that they are paid-for services, in comparison to the number of registered users to All 4 which is free.

<sup>15</sup> TouchPoints is an annual survey commissioned by the Institute of Practitioners in Advertising (IPA). It has a total sample across Great Britain of c6,000 adults and uses both a self-completion questionnaire and a 7-day diary.

<sup>16</sup> When YouTube is being used for programmes and films.

However, in terms of audience profile, All 4 is the youngest PSB player, with 52% of its weekly viewers being aged between 15-34. This is similar to the audience profiles of Amazon Video (49% of its audience are aged between 15-34), Netflix (50%) and YouTube (56%), and much younger than the profiles of the BBC iPlayer (36%), ITV Hub (33%) and My 5 (36%).

For the foreseeable future, viewing on broadcasters' VOD platforms will not achieve the sheer volumes of viewing to their linear channels. In relation to C4C, the survey evidence from TouchPoints suggests that the average time spent on All 4 represents 6% of the total time spent viewing all C4C services. This is similar to the BBC, where time spent viewing content on iPlayer represents 4% of total viewing to the BBC.

As part of our assessment of C4C's delivery of its remit, this year we have considered the ways in which C4C is distributing its content, particularly online. As such, more analysis of C4C's online performance is presented towards the end of this report.

### **C4C is performing well in a new media landscape, but there continue to be significant challenges**

C4C is operating in a challenging landscape, with the amount of time that people are spending watching television continuing to decline. Despite this, it is positive to see C4C retaining its share of viewing on both its main channel and across the portfolio channels, and among younger audiences where declines in viewing are most stark. Given the significant role these channels, and the main channel in particular, play in the delivery of the Corporation's remit and obligations, attracting and maintaining audiences to its linear services in such a competitive landscape remains a core challenge for C4C.

Online, C4C is taking action in response to the changes in audience behaviour by developing its proposition in innovative ways. This is crucial for C4C in terms of retaining viewers, and also reaching new audiences. All 4 is showing year on year growth, but the rate of growth of other online players (albeit smaller in terms of the number of users), shows the scale of the challenge that the corporation is facing. We note that C4C has recently announced that it is increasing its investment in All 4, and all programmes will now be commissioned from a multi-platform perspective.

### **Sustainability analysis**

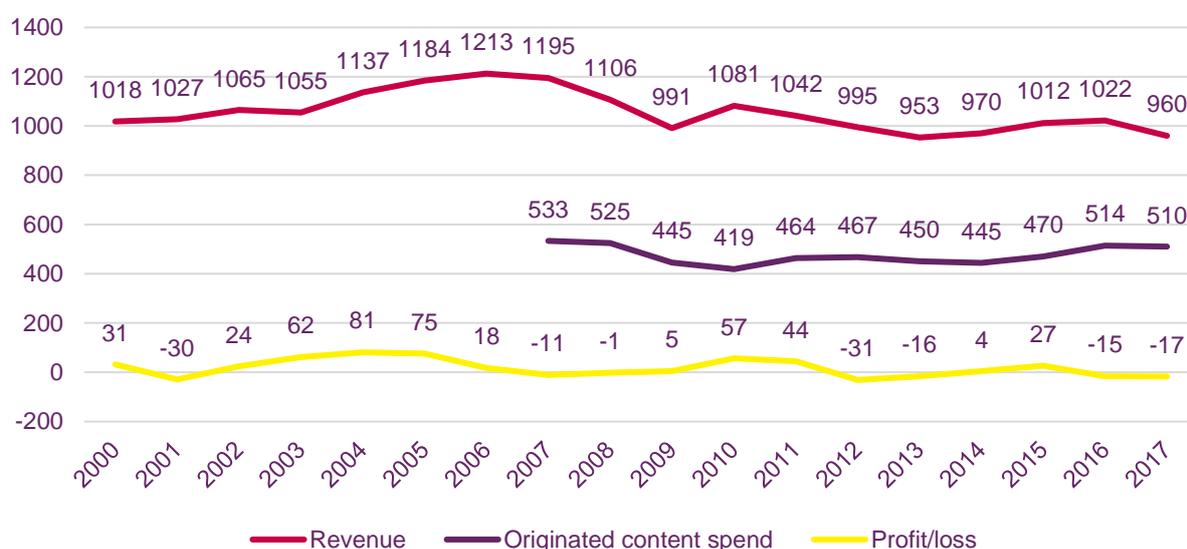
**C4C should remain sustainable and be able to continue to deliver its remit until the end of its licence in 2024, but the risks that it faces are growing**

Given the economic challenges that C4C faced in 2017, we have again undertaken analysis to test how likely it is that C4C will remain sustainable until the end of its current licence in 2024. We have modelled a range of scenarios taking into account macroeconomic and competitive factors. We have not undertaken any detailed economic analysis of the impact of C4C's relocation of some functions and staff to the nations and regions of the UK.

Overall, our analysis suggests that C4C should be able to remain financially sustainable and be able to continue to deliver its remit until the end of its current licence period in 2024. Specifically, our analysis suggests that within the most likely range of market scenarios, C4C will be able to invest in a level and quality of programmes similar to its current output. However, the risks to C4C's sustainability are growing, and there are some potential threats it should consider carefully, both in the short and over the longer term.

Over the last decade, as Figure 6 shows, C4C's revenues have fallen by 20% in real terms. Originated content spend fell by 21% after the financial crisis, but C4C has almost managed to bring it back to where it was 10 years ago. In its Statement, C4C reports that economic challenges are returning and its performance in delivering its remit in 2017 was set against the most difficult economic backdrop it had experienced for several years. Television advertising is still by far the main source of funding for C4C. This market contracted by 3% year on year, which impacted on C4C's finances. Overall annual revenue was down 6.1%<sup>17</sup> to £960m. Total content spend across all services was down 5.4% to £675m. We would note that this reduction in investment does not appear to have had a discernible impact on audience share for C4C's family of channels in 2017. The Corporation also took action to protect originated content spend across its channels and online at £510 million (representing a small decline of 0.8%).

**Figure 6: C4C group revenues & spend (£m), 2000 -2017, real terms**



Source: C4C Annual Reports. Figures have been adjusted into 2017 prices using the ONS Consumer Price Index

C4C also continued to invest in digital innovation in 2017 which has allowed it to diversify its revenues and reduce its reliance on television advertising. Digital revenues have grown solidly in recent years and were £124m in 2017, up 18.6% year on year and now representing 13% of all C4C revenue.

<sup>17</sup> All figures are presented in real terms, unless otherwise stated. Figures have been adjusted for inflation using the Consumer Price Index (CPI).

## In the short term, C4C is exposed to any economic volatility that might affect the TV advertising market

The TV advertising market returned to growth in the fourth quarter of 2017 after five consecutive quarters of decline following the EU referendum. The market has continued to grow slowly in nominal terms and is expected to be up 2.3% in 2018.<sup>18</sup> However, the risk of a further cyclical downturn in the advertising market remains a key threat that C4C could face in the short-to-medium term. This is because of a general slowing of the UK economy, weak consumer confidence and spending, and general business uncertainty. Should the advertising market deteriorate once again, C4C may well need to reduce content investment further in order to continue to break even and to maintain cash reserves. Decreasing expenditure as a contingency appears manageable in the short-term, but significant cuts could diminish C4C's ability to invest in content and therefore deliver its remit in such a way as to maintain the current range and level of quality. While cash reserves have declined in recent years, in our view, C4C still has enough to weather a short-term downturn in the TV advertising market.

In addition, we note that the Government is currently considering the case for a pre-watershed ban of HFSS<sup>19</sup> advertising. This would also be likely to have an impact on C4C's revenues, and in turn, could also lead to a reduction in its content budget.

## Over the longer term, the main threat to C4C's sustainability continues to be the competition from large global players

As noted above, given the wealth of choice over how and when content is watched, viewing habits have shifted and audiences are watching less and less traditional broadcast television.

Big global companies such as Netflix and Amazon Prime are now established players in the UK market and are competing for viewers directly with C4C. This has changed the dynamics of the market and affected broadcast television viewing which has been falling steadily. This decline is even stronger for the younger audiences that are key for C4C.

C4C and other broadcasters also now face competition from large technology companies such as Apple, Google and Facebook which are developing original content. Netflix and Amazon have substantial programme budgets and the other online global players all have significant resources. This is in turn driving up costs in some genres, such as drama, at a time when commercial broadcasters face weakened advertising revenues.

However, despite these risks, our analysis suggests that C4C should remain financially sustainable in its current form throughout its current licence period. It is our current expectation that the advertising market should grow modestly in the medium term and C4C should be able to maintain programme spend at a level that should allow it to maintain audience share at around current levels.

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<sup>18</sup> AA/WARC expenditure Report, April 2018.

<sup>19</sup> Advertising for products that are high in fat, salt or sugar.

Nonetheless, the outlook remains uncertain and the pace of change could accelerate. Over the longer term a structural decline of the advertising market could start to occur which would threaten C4C's financial sustainability (and that of all commercial broadcasters) and its ability to deliver its remit. The key driver of any structural decline of the TV advertising market is likely to be a dynamic in which advertisers start to believe that broadcasters no longer offer value for money leading to them shifting broadcast TV budgets to other online video services such as Facebook or YouTube.

Even absent any structural decline of the TV advertising market, C4C could lose its ability to charge a premium for advertising. This could occur if there were to be a much faster than expected shift away from linear TV to online, particularly among younger audiences. This trend could impact C4C's high reach and share of commercial impacts among younger cohorts and therefore undermine its value to advertisers.

We do not believe that these downside scenarios are likely to occur in the short-term and we believe that C4C has the potential to compete and succeed in this fast-changing environment. However, as the challenges it faces continue to grow, Ofcom will continue to closely monitor these market developments and will remain vigilant should any acceleration of current trends occur.

### **There are opportunities for C4C to respond to future challenges**

As we set out last year, it is crucial for public service broadcasters, including C4C, to continue investing in high quality, distinctive UK content and will continue to be so in the future. It is important to highlight that global players serve a global audience, but UK audiences also want programmes that reflect life in the UK, and tell UK stories. This is a great opportunity for C4C to continue attracting mass audiences and maintain its appeal to advertisers.

Collaborating with both traditional competitors and global online players will also be increasingly necessary, requiring partnerships and innovation. Partnerships could be as diverse as marketing and advertising sales, technology development, co-production and also in securing distribution and prominence on digital platforms and devices. Embracing these opportunities would help C4C face the challenges ahead and could help safeguard C4C's long-term sustainability.

### **Remit assessment**

#### **C4C performed well in delivering its public service remit and media content duties in 2017**

Set against a challenging and changing market context, we consider that, overall, C4C broadly successfully delivered its remit and obligations in 2017. In the remainder of this report, we set out our assessment of C4C's performance in delivering its remit in 2017. Given the extensive nature of its remit and duties, we do not comment on all aspects of its performance, but instead focus on a number of key topics and findings.

#### ***Supporting innovation, creativity and distinctiveness***

As a PSB, Channel 4's remit requires it, among other things, to make a broad range of high-quality and diverse programmes that demonstrate innovation, experimentation, creativity and

distinctiveness.<sup>20</sup> Data from Ofcom’s annual PSB tracker shows that audience perceptions of Channel 4 in this area have remained fairly stable since 2015 and indicate that regular viewers continue to value Channel 4’s offer as one that is distinctive and creative.<sup>21</sup>

It continued to perform highly on statements related to its originality and innovation, delivering above the PSB average against the statements ‘It shows programmes with new ideas/ different approaches’ (70% Channel 4 vs. 66% PSB average) and ‘The style of the programmes is different to what I’d expect to see on other channels’ (69% Channel 4 vs. 61% PSB average). Notably, the score for this latter statement has increased from 63% in 2015. C4C reports similar data from its own annual reputation tracker. This data indicates that Channel 4 continues to outperform the other PSBs when it comes to taking risks and tackling issues others wouldn’t, as well as being the home for alternative voices.

In terms of its output, evidence of C4C’s continued commitment to innovation and experimentation can be seen in the number of first-run and one-off programmes broadcast on the main channel.<sup>22</sup> In 2017, C4C reports that 190 such programmes were shown on the main channel between 6pm and midnight, 9% more than in 2016. Its Statement identifies that BBC One and BBC Two each showed more (200 and 221 titles respectively), but Channel 4 remained well ahead of the other commercially-funded PSB channels, ITV and Channel 5.

Alongside new series and one-off programmes, it is also important for Channel 4 to have some well-established titles and programme brands which act as a spine in the schedule and help to drive audiences to the channel. Titles such as *8 out of 10 Cats does Countdown*, *Come Dine with Me*, and *Gogglebox* have all made important contributions to overall viewing due to the volume of hours they account for in the schedule in recent years. However, while they still perform well, last year they all showed year on year declines in their average audience size.

With this in mind, it is particularly important that C4C continues to innovate and take risks on new titles, which may ultimately become the spine for the schedule in future years. It is also important for this spine to include a range of titles, rather than just a few. For example, we note the recent success of *The Great British Bake Off* and the significant contribution it made to the overall viewing to Channel 4 in 2017 relative to the number of hours it contributed to total output on the channel. The series is also an example of the corporation effectively operating its ‘cross subsidy’ model, whereby commercially successful programmes can help to subsidise less popular but important public service content such as news and current affairs programming. However, we would be concerned if C4C were to become too dependent on this title to drive audiences and therefore

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<sup>20</sup> See section 265(3) Communications Act 2003.

<sup>21</sup> Ofcom PSB tracker data tables, 2017: [https://www.ofcom.org.uk/data/assets/pdf\\_file/0015/112506/psb-2017-data-tables.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0015/112506/psb-2017-data-tables.pdf)

<sup>22</sup> Analysis was carried out for C4C by Attentional Ltd. Analysis excludes acquired programming and titles that have appeared in previous years. Titles from series were not included, but individual episodes from “non-continuous series” were. These are series that cover different subjects in each episode, or adopt different formats, and are made by a variety of production companies (e.g. Panorama on BBC One and Dispatches on Channel 4). Premieres of films that were co-financed by the broadcaster were included in the analysis.

underpin its remit delivery, particularly at a time when some of its other core strands are losing viewers.

Another important way for it to promote innovation is through sourcing content from a wide and diverse range of producers. The television production sector has seen significant change in recent years, including consolidation and acquisition of some of the largest UK producers by global media companies. In the light of this consolidation, it is positive to see that C4C continues to work with a large number of suppliers of TV programmes, commissioning from 212 companies in 2017 representing a 12% increase year on year. Particularly encouraging is the fact that the number of qualifying independent production companies commissioned by C4C also increased last year, by 7%, to 171. Working with such companies, which are typically small or medium-sized enterprises, also helps to promote the diversity of supply.

There is some evidence, however, to indicate that C4C was less willing to take risks with suppliers it has not worked with before in 2017. Across all types of content (TV, online and film), 48 companies were new to C4C in 2017. This represents a decline of almost a third compared to 2016 but was comparable to the numbers in 2014 and 2015. Given the important role C4C plays in the production landscape, and the diversity of content new suppliers can deliver, it should ensure that it continues to commission from producers of a range of scale and size.

Beyond the main channel, C4C also seeks to innovate through film, stating that Film4 invests in filmmakers with a unique vision. In 2017 six Film4 backed films were released in UK cinemas, including *Free Fire* and *T2 Trainspotting*. Films in the 2018 slate include Oscar-winning *Three Billboards Outside Ebbing, Missouri*, which is set to perform well commercially and was co-financed on an equal basis as part of Film4's new strategy to take bigger financial stakes in films, alongside *You Were Never Really Here* and *How to Talk to Girls at Parties*.

### *News and current affairs*

As we reported last year, significant changes continue to take place in the news market both nationally and internationally, particularly the growth of online news consumption, the proliferation of online news sources and the emergence of the issue of fake news.

While not delivering audiences as large as the more mainstream news providers, C4C's provision of news and current affairs on both television and online plays an important role in this environment and is valuable at a time of growing concerns about the accuracy of news. C4C's news and current affairs output also has a strong investigative edge. The hour-long weekday evening bulletin on the main channel, as well as the long running times of some of its current affairs programmes, enable stories to be considered in more depth. In addition, C4C reports that its approach to news and current affairs allows it to provide greater coverage of issues that appeal to minority interests as well as international topics, and provide alternative views and stimulate debate, particularly among younger viewers. Such coverage can in part explain why the audience profile of C4C's news skews significantly younger and more diverse than the news viewing to other PSBs.

Given this important role, we are pleased to see that C4C's investment in news remained broadly flat in 2017 at £27m and it has committed to protecting this spend in 2018. While its spend on current affairs programmes in 2017 decreased by 13% to £25m, this followed extensive coverage of the Brexit referendum and US election in 2016 when spend on current affairs output was at a record level.

On television, Channel 4's proportion of all TV news viewing continues to prove resilient. In 2017, it accounted for 3% of all viewing to news on TV.<sup>23</sup> This is stable year on year and puts Channel 4 as the fifth highest channel for share of news behind BBC One (66.8%), ITV (12.7%), BBC News (8%) and Sky News (7.5%). Share of viewing to Channel 4's evening weekday news programme at the time it is broadcast grew slightly, including amongst 16-34 year old viewers and viewers from an ethnic minority background. However, the average number of people watching each programme was down by 1.3% on average across the year. Mirroring the patterns we are seeing across TV viewing more broadly, most of this decline came from young viewers; its 16-34 year olds average audience fell by 10.9% year on year.

It is a similar story in relation to C4C's two main current affairs strands. While *Dispatches'* share of viewing at the time it was broadcast was relatively stable year on year, the average audience decreased, largely driven by marked declines in 16-34 year olds watching as well as audiences from ethnic minority backgrounds. *Unreported World* also broadly maintained its share of viewing during its slot, but again its average audience decreased. This fall was mainly driven by 16-34s, along with C2DE viewers.

C4C has offset these falls in its TV audiences to some degree by successfully taking its news output to platforms and social networks where audiences, especially younger people, increasingly consume content. In 2017, Channel 4 News videos received 1.98 billion views across Facebook, YouTube and Channel 4's website. While this performance demonstrates that Channel 4 News continues to be one of the biggest UK news brands on social media, the number of views it received was broadly similar to the number in 2016. In our previous response, we reported strong growth in 2016 with the number of online video views increasing by 220% year on year.

C4C has also been experimenting with its current affairs output online. In 2017, *Unreported World* established its own YouTube channel, with new videos from the latest series being uploaded regularly. It has also used the platform to re-publish archive content. C4C reports that some of this content has had more than one million views.

With this in mind, we would encourage C4C to continue to innovate with new methods for engaging audiences, particularly younger audiences, with its news and current affairs output, given the important role it plays in this space. C4C has already informed us that its online strategy for Channel 4 News is evolving, and its priorities going forward are to develop longer form, in-depth, high-quality

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<sup>23</sup> Source: BARB. Network, all individuals. The proportion / share of all news viewing by channel is based on total minutes of viewing to national/international news. +1 channels are included for all relevant channels for the purpose of this analysis.

content for younger audiences, which it believes will have a greater impact than purely trying to extend reach and views on Facebook with short-form video.

### *Content that appeals to older children and young adults*

C4C has a duty to provide content that appeals to older children<sup>24</sup> and young adults. It also provides educational content for 14-19 year olds. We have previously raised concerns about its investment in content of appeal to older children and in educational output for 14-19s.

Last year, we reported that C4C had committed to invest more in programming of appeal to 10-14 year olds to £5m annually from 2018. We noted that it had already exceeded this commitment in 2016, spending £6m. In 2017, it is encouraging to see a small increase in this investment again to £7m. First-run titles broadcast during 2017 that were financed through this investment included returning series *Child Genius* and *Gogglesprogs*, as well as a new title *Lego Masters*, which all performed well amongst 10-14 year old viewers. Overall, this investment equated to 21 hours of content last year (up from 18 hours in 2016).

C4C's strategy is to commission programmes that are of interest to 10-14 year olds but also have mainstream appeal, and broadcast these programmes in peak time, pre-watershed slots on the main channel. C4C also makes the point that many of its programmes, beyond those made with this investment, have wider family appeal. Across the whole day, Channel 4's share of viewing among 10-14 year olds remained broadly flat in 2017, while in peak time its share among this age group increased slightly (+0.3pp), suggesting this strategy is continuing to have some success. For the portfolio channels combined, share declined by 1pp. This was a consequence of a 1.2pp decline in E4's audience share.<sup>25</sup>

For 14-19 year olds, C4C has continued its strategy of commissioning programmes for this audience based on helping young people develop life skills not necessarily taught at school or home. In our response to C4C's Statement last year, we noted our concerns that spend on this type of educational content had been falling over time and had declined to £2m in 2016. In 2017, C4C significantly increased its investment in such programming to £10m.

This increased investment is welcome although, as C4C reports, most of this increased spend was on one drama series commission, *Ackley Bridge*, which is set in a diverse secondary school in Halifax.<sup>26</sup> This series has proved popular with both 10-14 year olds and 14-19 year olds on television and C4C also reports that it drove traffic to All 4 and its online audience skewed younger than the All 4 average. C4C has also noted that the programme has a wider positive impact on young audiences through addressing issues such as diversity, bullying and identity. However, most other titles

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<sup>24</sup> C4C defines older children as 10-14 year olds.

<sup>25</sup> This figure includes E4+1.

<sup>26</sup> C4C had previously stated, in its SMCP 2016/17, that *Ackley Bridge* would be part of their commissioning spend in respect of content that appeals to older children rather than 14-19 year olds. It now considers the storylines of this programme are targeted more at teenagers and young adults.

commissioned under this spend including the *Extraordinary Teens* strand, *Girls to Men* and *Is Love Racist? The Dating Game* have underperformed amongst 14-19 year olds.

C4C's overall share among 14-19s in 2017 held up well. On the main channel, its share was broadly flat at 5.3%. The portfolio channels' collective share of 14-19s also increased slightly by 0.3pp to 12.3%. On E4, share remained broadly flat at 7.0% (from 6.8% in 2016).<sup>27</sup>

Overall, we are pleased to see C4C increasing its investment in programming of appeal to both of these age groups, and that many of these titles are proving popular. For 10-14s, we would encourage C4C to think about what it might be able to do beyond the main channel, particularly on E4 which is aimed at a younger demographic but where its share has been falling, to appeal to this audience. We would also suggest that for 14-19s, C4C should consider what it can do beyond *Ackley Bridge* to continue to provide educational output for this audience, given the risks highlighted earlier associated with being too reliant on a small number of programme titles and that some of its smaller, more factual titles performed less well among this audience.

Separately to our review of C4C's Statement and its fulfilment of its duty to appeal to older children and young adults, it is important to note that Ofcom is also considering C4C's contribution to ensuring children and young people under the age of 16 have access to a range of high quality and original programmes on television and online. This review results from a new power in the Digital Economy Act 2017 that enables Ofcom to publish criteria for the provision of children's programming and, if appropriate, to set conditions on the licensed public service channels (Channel 3 services, Channel 4 and Channel 5). An Invitation to Contribute was published in November 2017<sup>28</sup> and findings from the review will be published later in 2018.

### *Nations and regions*

C4C's impact in the nations and regions, and whether it can do more to support the creative economies in these areas, has come under great scrutiny in the last year, with the Department for Digital, Culture, Media and Sport publishing a consultation on the subject in April 2017.<sup>29</sup> In line with its current obligations, our assessment of C4C's performance in this area focuses on the proportion of spend on and hours of programmes made outside of London and outside of England, and its duty to appeal to the tastes and interests of a culturally diverse society, which includes audiences in the nations and regions.

Across its family of channels, C4C has increased its investment in programming that was made outside of London. In 2017, it spent £189m on such programming, up £16m from the level in 2016. It also continues to perform above its nations and regions licence requirements for the main channel; 57% of its first-run originated programming hours were made outside London in 2017 (up from 55%

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<sup>27</sup> Source: BARB. Network, individuals aged 14-19. Analysis includes E4+1.

<sup>28</sup> Children's content review: Invitation to contribute, 2017:

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0023/108284/Review-of-childrens-content.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0023/108284/Review-of-childrens-content.pdf)

<sup>29</sup> DCMS, Increasing the Regional Impact of Channel 4 Corporation:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/647724/C4\\_consultation\\_document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/647724/C4_consultation_document.pdf)

in 2016, and against a 35% quota) and 45% of qualifying spend (up from 40% in 2016, and against a 35% quota).

In the devolved nations, 12% of programming hours were classified as being made in Scotland, Wales and Northern Ireland (9% in 2016) and 9% of its spend (8% in 2016). The main channel is therefore already meeting, and exceeding in the case of hours, its new licence requirement that, by 2020, it must produce 9% of its programmes (volume and spend) in the nations.<sup>30</sup>

In our response to C4C last year, we reported that our PSB tracker indicated that it could do more to represent and portray the UK's nations and regions on screen. Our tracker results for 2017 continue to show that, out of all the statements, regular viewers of Channel 4 rated its performance against the statement 'It portrays my region/ Scotland/ Wales/ Northern Ireland fairly to the rest of the UK' the lowest. Only 39% of regular viewers said it performed well, which is flat year on year. It also continued to perform below the PSB average (56%). Channel 4 does perform better against the statement 'It shows different parts of the UK, including England, Northern Ireland, Scotland, Wales', with 56% of regular viewers rating it highly for this, again level with its performance in 2016, but below the PSB average of 65%. While it is important to note that Channel 4 is likely to perform less well against these statements when compared to BBC One and ITV, which can both offer regional opt-out programming, and its performance is similar to that of Channel 5, we do believe that the findings still indicate that there is room for improvement in these areas.

C4C has stated that in 2018 it aims to showcase under-represented parts of the UK on mainstream television and it will continue to work with production companies across the UK to deliver regionally produced-programming. A recent example of this was *Derry Girls* which aired early this year and was filmed and produced in Northern Ireland. This title has performed extremely well, particularly in Northern Ireland where C4C reports it had the highest share of Northern Irish viewers since records began.

In addition, as set out in the Statement, C4C and the Government have now agreed plans to increase the Corporation's regional presence outside of London. As part of the plans, entitled '4 All the UK', C4C has voluntarily committed to increase the main channel's nations and regions content spend to 50% of commissions by 2023, which it estimates will equate to an incremental investment of some £250m in total. Given that 45% of Channel 4's qualifying spend is already spent in the nations and regions, increasing this to 50% by 2023 should be achievable. C4C has also committed to opening an additional national headquarters outside of London and two smaller creative hubs in the nations and regions in 2019. It is also aiming for *Channel 4 News* to become the first peak-time national news programme to co-anchor from both London and the nations and regions by 2020. These plans will hopefully go some way to improve audience perceptions of Channel 4's representation and portrayal of the nations and regions, and we will watch with interest as C4C implements them.

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<sup>30</sup> C4C's licence requirement remains at 3% of spend and 3% of hours until 2020.

## Diversity

C4C states that it aims to reflect the diversity of the UK across all of its programming, rather than solely through programmes specifically about diversity. Despite this, it does still report on the hours of programming on the main channel which cover diversity issues each year.<sup>31</sup> Following Channel 4's coverage of the Rio 2016 Paralympics (which prompted a significant increase in programming with a link to disability) levels of such programming fell back in 2017. Channel 4 showed over 250 hours of originated programmes, a 29% decline year on year. One hundred and twenty-nine of these originated hours were first-run programmes (a 48% decline year on year), and 91 of the first-run hours were programmes which were broadcast in peak-time (a 12% decline). However, all three of these metrics were higher than in 2013, 2014 or 2015, the years between the last two Paralympic Games. C4C also cites its sports coverage on the main channel last year as a demonstration of its continued commitment to diversity, which included the coverage of the Women's Euro 2017 football tournament and the 2017 World Para Athletics Championships in London.

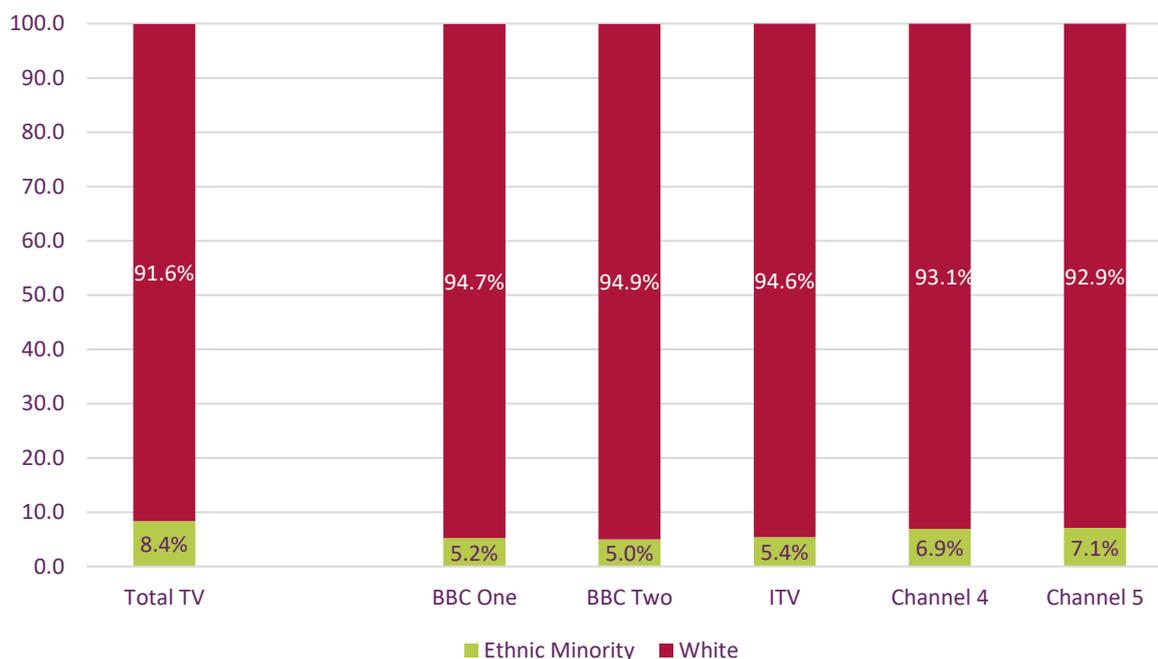
Evidence from Ofcom's PSB tracker indicates that audiences believe Channel 4 is continuing to perform well in this area. Sixty eight percent of regular Channel 4 viewers thought that it delivered well against the statement 'Shows different kinds of cultures in the UK' in 2017, similar to scores in 2015 (66%) and 2016 (67%). This was also similar to the performance of BBC One (69%), and above ITV and Channel 5 (62% and 58% respectively).

In terms of viewing, in 2017, 6.9% of Channel 4's audience were from an ethnic minority background. This is more representative of the total TV population than BBC One, BBC Two and ITV's audience profiles, suggesting that Channel 4 is relatively more appealing to this audience group than the other channels are. Channel 5's audience profile was the most ethnically representative of the total TV population, but all of the PSBs' audience profiles over index towards white viewers.

### Figure 7: PSB audience profiles by ethnicity, 2017

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<sup>31</sup> Defined as programmes with cover issues such as religion, multiculturalism, disability and sexuality.



Source: BARB, Network

Importantly, C4C also states that the work it does off-screen to promote inclusion and diversity is as vital as what it shows on-screen. Over the course of the last year, C4C has concentrated on areas where it identified that it could make more of an impact such as enhancing the progression of people from an ethnic minority background into more senior roles; increasing the diversity of directors; improving the diversity of British TV advertising; and increasing social mobility.

In Ofcom’s diversity monitoring report<sup>32</sup>, which we published in September 2017, we found that C4C compared well with the other five main broadcasters and had the most diverse workforce out of this grouping, but there was still some room for improvement. C4C’s own analysis has identified that the retention and progression of staff from an ethnic minority background and gender pay continue to be particular issues for the Corporation. Currently 18% of C4C employees are from an ethnic minority background but this is lower at senior levels. In addition, despite the broadcaster’s workforce being nearly 60% female, C4C has recently reported that it has a 24.2% median gender pay gap, above the 18.4% UK average and above other media companies such as the BBC and ITN.

We note that Alex Mahon, C4C Chief Executive, has set a long-term target to increase the proportion of staff from an ethnic minority background to 20% across all staff levels. She has also committed to taking action to address the gender pay gap, including by aiming for a 50:50 gender balance among its top 100 earners by 2023.<sup>33</sup>

<sup>32</sup> Diversity and equal opportunities in television, 2017:

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0017/106343/diversity-television-report-2017.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0017/106343/diversity-television-report-2017.pdf)

<sup>33</sup> Channel 4 Gender Pay Report 2017. C4C report that, as at 31 March 2017, it had an average (mean) gender pay gap of 28.6%. Its median gender gap (24.2%) reduces the impact of one-off outliers so allows for better cross industry comparisons.

### *Talent development and partnerships*

C4C also has a duty to support the development of people with creative talent, in particular those at the beginning of their careers in the media or film industry and those involved in the making of innovative content and films. It should also have regard to the desirability of working with cultural organisations.

In 2017, C4C has reported that it continued to support people who are seeking a career in media through a range of initiatives. Its 4Talent programme played a key role in attracting young people with diverse backgrounds across the UK. 4Talent's community outreach initiative, C4 Pops Ups, managed to increase the representation of ethnic minority and LGBT attendees despite the 5% decrease in overall attendance. In addition, 4Talent continued offering professional development opportunities through its specialist training schemes. In 2017, its production training scheme funded 16 young people, 11 of whom were based in the nations and regions, while 77% of those who graduated from the scheme last year are already working in the industry.

Last year C4C stated its ambitions to increase its apprenticeship opportunities in line with the Government's Apprenticeship Levy, with a particular focus on out of London initiatives. C4C reports that in 2017 it employed 17 apprentices, an increase of five since 2016, and offered 56 work experience placements, half of which were based in the nations and regions.

We also welcome C4C's continued support to new writers through its talent development programmes. Its scheme, Comedy Blaps, in particular, appears to have successfully found and promoted new comedy talent. In 2017 C4C reported that *Chewing Gum*, which stemmed from the Comedy Blaps scheme, was introduced to E4's wider audience and received multiple awards by organisations such as The RTS and BAFTA. C4C has also reported working with returning talent such as partnering with director Danny Boyle on *T2 Trainspotting* through Film4 and working with director Peter Kosminsky on drama *The State*, which was broadcast on Channel 4.

C4C has also partnered with several cultural and educational organisations, including De Montford University in Leicester to develop an MA in Investigative Journalism. C4C reports that many of the programme's first cohort, who graduated in 2017, have already been employed within the industry, including at Channel 4 and the BBC.

In the film sector, Film4 continued investing in new films in collaboration with cultural organisations in 2017. For instance, it partnered with The BFI to produce the highly acclaimed films *You Were Never Really Here* and *I'm Not a Witch*. In addition, it is positive to note that C4C's dedicated nations and regions team has formed partnerships with various local organisations, such as RTS Yorkshire, Glasgow College and Creative Access.

As part of its delivery of this duty, it is also desirable that C4C supports the UK independent production industry. As noted earlier, C4C reported that there was a rise of 7% in the number of the TV independent production companies that it worked with in 2017, although the number of new suppliers it used across TV, film and online declined year on year. C4C also supports the production sector through a number of dedicated Funds. In 2017 C4C spent £450,000 through its Alpha Fund

and supported 18 companies, 11 of which are based outside England. The Indie Growth Fund continued supporting the sector by investing in two indies in 2017, while successfully divesting two companies, one of which was based in Leeds.

Overall, we are of the view that C4C undertakes a range of positive initiatives to nurture creative talent and support the wider industry. In the coming year, C4C has stated that it will continue to nurture talent through grass-roots initiatives and to use All 4 as a runway for new talent. It has also announced a second phase of the Indie Growth Fund, where it will particularly focus on companies in the nations and regions, companies with an ethnic minority background, and those operating in the digital market.

### *Distribution of content*

C4C is also required to broadcast or distribute its content through a range of different types of electronic communications networks, and in doing so, it should have regard to the desirability of encouraging innovation in these areas.

Beyond linear television, C4C's main form of distribution is through All 4, which is now available on 25 platforms. This service operates in a crowded online environment, where it competes for audiences with a variety of online players; from the VOD propositions of other PSBs to SVOD services such as Netflix, and platforms such as YouTube. The emergence of these global players along with the rise of connected devices and technological advancements has resulted in increased online viewing. All 4's performance within this environment was explored earlier.

Since 2015, when C4C re-branded its VOD proposition (previously known as 4OD), it has stated that its ambition is to differentiate All 4 from competition and move from a catch-up only service to a standalone content destination. Careful curation is at the heart of this strategy and All 4 has developed its offering by adding exclusive content to the service as well as content from its archive library to develop thematic channels. *Walter Presents* is a good example of All 4's success in this area, and C4C plans to build on that success by launching new thematic channels that will combine its archive content with carefully selected acquisitions.

Looking at C4C's digital offer more widely, according to C4C, its websites and apps attracted a total of 588m visits in 2017. This was 13% more than 2016 and the biggest annual increase since 2012. Visits to C4C's apps were responsible for the growth; such visits rose by 27% year-on-year to 411m. Visits to Channel 4's websites fell by 11% to 177m, which C4C states is in line with its strategy to direct mobile viewers to All 4 apps.

It is also positive to note that there has been significant growth in the consumption of Channel 4, E4 and All 4 content on social media. C4C reports that its entire video content was viewed over 6.5bn times across Facebook, Instagram and YouTube, more than double the number of views in 2016. It also reports that its content had 111.5m engagements, such as likes, comments and shares, in 2017, against 55.2m in 2016.

As such, we believe that C4C has performed well in this area, and we would encourage it to continue experimenting and innovating with the ways in which content can be distributed, particularly as audience behaviour continues to evolve.

## Annex 1

### C4C's remit and duties

#### *PSB remit (section 265(3) of the Communications Act 2003)*

##### **This applies to the main channel**

The public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular:

- a) demonstrates innovation, experiment and creativity in the form and content of programmes
- b) appeals to the tastes and interests of a culturally diverse society;
- c) makes a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and
- d) exhibits a distinctive character.

#### *Media content duties (section 198A of the Communications Act 2003)*

##### **Can be delivered across C4C's range of services**

1. C4C must participate in:

- a) the making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society;
- b) the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom; and
- c) the broadcasting and distribution of such content and films.

2. C4C must, in particular, participate in:

- a) the making of relevant media content that consists of news and current affairs;
- b) the making of relevant content that appeals to the tastes and interests of older children and young adults;
- c) the broadcasting or distribution by means of electronic communications networks of feature films that reflect cultural activity in the United Kingdom (including third party films); and
- d) the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.

3. In performing their duties under 1) and 2) C4C must:

- a) promote measures intended to secure that people are well-informed and motivated to participate in society in a variety of ways; and
- b) contribute towards the fulfilment of the public service objectives (as defined in section 264A of the Communications Act 2003).

4. In performing their duties under 1) to 3) C4C must:

- a) support the development of people with creative talent, in particular:
  - i. people at the beginning of their careers in relevant media content or films; and
  - ii. people involved in the making of innovative content and films;
- b) support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views;
- c) promote alternative views and new perspectives; and
- d) provide access to material that is intended to inspire people to make changes in their lives.

5. In performing those duties C4C must have regard to the desirability of:

- a) working with cultural organisations;
- b) encouraging innovation in the means by which relevant media content is broadcast or distributed; and
- c) promoting access to and awareness of services provided in digital form.

## Annex 2

### Glossary

**Main channel:** The public service channel, Channel 4

**C4C portfolio channels:** C4C's suite of digital channels (including its +1 and HD variants): Channel 4+1, E4, More4, 4Seven, Film4, 4Music

**C4C family of channels:** The main channel and its portfolio channels combined

**Average weekly reach:** The proportion of the TV population who watched a channel or group of channels at least once in an average week (for at least 15 consecutive minutes)

**Share:** The percentage of the total TV audience watching a specific channel or group of channels, expressed as an average over a given period of time. For example, a 65% share for a channel means that of all the viewers watching television at the time, 65% were watching the given channel (and the remaining 35% were watching other channels)

**TV population:** All those who have at least one TV in the household that can receive television programmes

**ABC1 adults:** Based on the Market Research Society occupational groupings (MRS, 1991). The full range of groups are defined as follows:

**A.** Professionals such as doctors, solicitors or dentists, chartered people like architects; fully qualified people with a large degree of responsibility such as senior civil servants, senior business executives and high ranking grades within the armed forces. Retired people, previously grade A, and their widows.

**B.** People with very senior jobs such as university lecturers, heads of local government departments, middle management in business organisations, bank managers, police inspectors, and upper grades in the armed forces.

**C1.** All others doing non-manual jobs, including nurses, technicians, pharmacists, salesmen, publicans, clerical workers, police sergeants and middle ranks of the armed forces.

**C2.** Skilled manual workers, foremen, manual workers with special qualifications such as lorry drivers, security officers and lower grades of the armed forces.

**D.** Semi-skilled and unskilled manual workers, including labourers and those serving apprenticeships. Machine minders, farm labourers, lab assistants and postmen.

**E.** Those on the lowest levels of subsistence including all those dependent upon the state long-term. Casual workers and those without a regular income.