

IPA—written evidence (FCF0044)

House of Lords Communications and Digital Committee inquiry into the future of Channel 4

Introduction

The IPA is the professional body for advertising, media and marketing communications agencies based in the United Kingdom. We have approximately 300 agency brands within our membership. Our member agencies include those planning and buying the vast majority of UK TV advertising spend on behalf of their advertiser clients.

As a membership body incorporated by Royal Charter, the IPA's role is two-fold: (i) to provide essential core support services to our corporate members who are key players in the industry; and (ii) to act as our members' spokesperson.

Further, under one the main terms of its Chartered Status,¹ it is the IPA's duty "to advance the theory and practice of advertising, media and marketing communications in all its aspects for the benefit of the public."

Advertising is fundamental to the UK economy. It plays a crucial role in brand competition, drives product innovation and fuels economic growth. It also provides revenues to fund a diverse and pluralistic media, enjoyed by all.

Every pound spent on advertising returns £6 to GDP, supporting 1 million jobs across the UK.

The IPA submission

As a key member of the Advertising Association, the IPA has contributed to and approved their comprehensive response to this consultation on behalf of the entire advertising industry.

This concise submission is complimentary and seeks to further reinforce our firm support for the ongoing public ownership of Channel 4

Committee Inquiry Questions

- 1. What, if any, developments over the last five years give cause to re-evaluate the ownership of Channel 4 Corporation?**

There have been no developments over the last five years to give cause to re-evaluate the ownership of Channel 4 Corporation. It has proven itself a successful, innovative organisation over the last 5 years, and is well-placed to tackle future developments.

¹ https://ipa.co.uk/media/4712/ipa_royal_charter_bye_laws.pdf

- Total C4C revenue did not decline significantly from 2016 (£995m) to pre-Covid 2019 (£985m), a fall of just 1%²
- Total C4C revenue in 2021 is expected to rebound to in excess of £1 billion for the first time ever³
- C4C has a market-beating Broadcast Video on Demand platform, All4 which is robustly growing audience and revenue
 - C4C doubled their Video On Demand (VOD) views from 2016 to 2020⁴
 - C4C nearly doubled their VOD advertising revenue from 2016 to 2020, rising 91.7% across this period to £161m⁵

2. If Channel 4 Corporation were privatised, what would be the benefits? What would be the risks and to what extent could they be mitigated?

We do not foresee any benefit to advertisers and their agencies from the privatisation of C4C. It has proven itself a successful, innovative organisation over the last 5 years, and is well-placed to tackle future developments.

We consider the risk to the UK Commercial TV Marketplace to be great.

- As concluded in the Enders Analysis report "Channel 4 privatisation: Valuation, buyers, problems"⁶ we note this public asset would appeal only to commercial TV rivals, such as ITV or Sky, or an international media company that already has a UK presence, such as Channel 5 owner Viacom or Discovery.
- This presents clear risks to the plurality of and competition within the commercial TV advertising marketplace.
- A less competitive TV marketplace would not be in the interests of advertisers and could drive up the unit price of TV advertising. This could in turn accelerate the migration of advertiser budgets away from television and into online platforms.
- Further, privatisation is likely to lead to yet more homogeneity in programme content and, as outlined below in answer to question 3, this will remove the unique commercial audience profile C4C delivers for advertisers.

² https://annualreport.channel4.com/assets/pdf/Financial_report_and_statements_Channel4_AR20_ACC.pdf

³ <https://www.channel4.com/press/news/channel-4-annual-report-2020-record-financial-surplus-and-significant-digital-growth>

⁴ https://annualreport.channel4.com/assets/pdf/Financial_report_and_statements_Channel4_AR20_ACC.pdf

⁵ https://annualreport.channel4.com/assets/pdf/Financial_report_and_statements_Channel4_AR20_ACC.pdf

⁶ <https://www.endersanalysis.com/reports/channel-4-privatisation-valuation-buyers-problems>

3. If Channel 4 were to remain in public ownership, what would be the benefits? Insofar as they are valid, how could concerns about its longer-term viability be addressed?

Benefit: UNIQUE AUDIENCE ACCESS

The Channel 4 portfolio of channels delivers unique reach of light⁷ and young viewers versus the rest of the linear TV landscape.

This is invaluable to many British companies selling products and services, and their advertising agencies seeking to maximise reach and build brands.

It is a direct result of Channel 4's unique advertiser-funded PSB remit delivering hard-to-reach commercial audiences from investment in purpose-driven content and programming.

Light TV viewers

- Channel 4 provides unrivalled access to light TV viewers
- Channel 4 has the strongest light viewer profile of all of the major broadcasters (33% higher against light TV viewers than total commercial TV⁸ market)
- Channel 4 as a sales house reaches over 6m light TV viewers monthly
- This makes it a key line on any media plan aiming to maximise weekly or campaign reach

Channel 4 provides unique access to young audiences

- Channel 4 has the strongest 16-34 Adult profile of all the major broadcasters (27% higher against 16-34 than total commercial TV market)
- 3 out of the top 10 channels for 16-24s are Channel 4 owned channels (CH4, E4 and Film 4)
- This makes it a key line on any media plan aiming to reach young audiences

Channel 4 provides unique access to diverse and under-represented audiences

- Channel 4 reaches a broad range of ethnic audiences with a monthly reach against any ethnic minority of 64% and an average weekly reach of 55% of Black Caribbean audience and 47% reach against Indian audiences
- 7% of C4 impacts are delivered against ethnically diverse audiences
- This creates unique opportunities for businesses. For example Unilever personal care brand, Dove⁹ partnered Channel 4 and Pulse Films to present an Advertiser Funded Programme for Black History Month, "Hair Power – me and my afro"
 - Viewers were 53% more likely than non-viewers to consider using Dove

⁷ Light TV viewers created using March – April 2021 BARB data. The lightest 25% of viewers based on minutes viewed.

⁸ Commercial TV is defined as BARB reported channels coded as carrying commercials

⁹ <https://www.dove.com/uk/stories/real-beauty-network/hair-power.html>

Benefit: COMMITMENT TO DIVERSITY AND INCLUSION, DELIVERING FOR BRITISH BUSINESS

Channel 4 provides content and reach to advertisers to support and champion under-represented audiences and is unique in its continued commitment to do so. Some examples:

- C4's Diversity in Advertising Award challenges the advertising industry to address the inauthentic and sometimes clichéd portrayals of different under-represented groups within UK advertising – with a £1m media budget awarded to the winning entry.
- Mars, Inc confectionery brand, Maltesers won the opportunity in 2016¹⁰ to build on Channel 4's Paralympic Games "Superhumans" coverage marketing and feature disability in its advertising.
- The campaign garnered an incredible recall level of 70% amongst the UK population and 6.4 million people purchased the product as a result.
- Black to Front aims to amplify the conversations around representation and diversity in the industry and C4 are curating a day of programming featuring black talent in front of and behind the camera. Advertisers have been challenged to integrate into the programming content, create new advertising featuring black talent, or run existing inclusive creative throughout the schedule.
- Stand against racism – Channel 4 brought together supermarket brands for a special break to show solidarity after Sainsbury's Christmas advertisement was targeted for racial abuse

We do not consider concerns about its long term viability to be valid.

22 September 2021

¹⁰ <https://www.4sales.com/our-work/superhumans-wanted>