

‘MORE THAN A TELEVISION CHANNEL’

CHANNEL 4, FILMFOUR AND A FAILED CONVERGENCE STRATEGY

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Abstract: Obligated by act of Parliament to “innovate and experiment,” Channel 4 has, since its birth in 1982, been the UK’s most pioneering commercial television broadcaster. Its arrival broadened the meaning, function and operations of public service broadcasting in the UK, with a particular focus on minorities and pushing boundaries, political and creative. In the late 1990s, though, it was under increasing threat from specialist pay-TV services that could more accurately target its audiences. As a commercially funded channel with public service responsibilities, Channel 4 was under increasing pressure to be financially independent and fulfil a challenging remit. Its response to a threatened income and increasing competition was to diversify its portfolio into various media related businesses, particularly taking advantage of the arrival of digital television to expand its offer. The subtitle of the Corporation’s 2000 Annual report, ‘More than a Television Channel’ indicates the confidence, optimism and boldness with which this expansion was approached.

The rapid expansion of the channel’s portfolio in a time of relative confidence in the commercial viability of the television industry was to be reversed only a few years later, when, after it failed to produce the returns it was designed for, 4Ventures was drastically scaled back, and Channel 4 refocused its efforts on the core broadcast channel.

Channel 4 therefore offers a test case in the limits of convergence as a strategy for survival for British broadcasters at the arrival of digital television. This paper focuses specifically on the areas of Channel 4’s strategy that pertained to one of the broadcaster’s particular strengths: film culture. It explores one of the film offshoots of 4Ventures: FilmFour Ltd, the film finance, production, sales and distribution company and how its failure to find a commercial hit mirrors the general problems for a commercial public service broadcaster in expanding to become a convergent television company.

Keywords: Channel 4, FilmFour, convergence, UK television industry, UK film industry, digital television

This paper examines the rise of convergent television in the UK, through a case study of the decisions taken by the commercial/ public service hybrid institution, Channel 4, throughout the 2000s, with particular focus on the filmmaking arm, FilmFour. Channel 4 was set up in 1982 to widen the scope of public service broadcasting in the UK, target underserved minorities, take editorial and creative risks, and commission programmes from an emergent independent television sector. By the late 1990s competition from specialist pay-TV services was increasing, and Channel 4 needed

a strategy to secure its finances and fulfil its challenging remit. Spearheaded by a dynamic Chief Executive in Michael Jackson, the Channel 4 Television Corporation (C4) expanded into various media-related businesses. It wanted to become, as the **2000 Annual Report** boldly stated, 'More than a Television Channel.' In other words, the channel intended to become an all-purpose, convergence-friendly multimedia operation. C4 apparatchiks posited the spending during this period as a necessary investment to secure the broadcaster's future in a digital marketplace, but most of it provided neither the financial sustenance to keep C4 buoyant nor the prestigious or socially useful content a public service broadcaster should bring into being.



Fig. 1 Front cover of C4 2000 Annual report. Its tagline reads 'More than a Television Channel.'

1 4VENTURES

Channel 4 only began in earnest to strategize for a digital future in the late 1990s. The idea was to “transform from a single television channel into a network of media business on a range of platforms” or, to put it another way, to become a broadcaster more able to cope with a future where TV converges with new media. In 2001 this network of businesses was gathered together under the holding company 4Ventures, a wholly-owned subsidiary.

4Ventures launched in a climate of concern over C4's commercial activities, which included Channel 4 Interactive and pay-TV channels FilmFour, a specialist arthouse-style film channel, and E4, a youth entertainment channel chiefly a repository for American imports for which C4 had paid a premium to compete with Sky.¹ Competitor David Elstein, Channel 5's Chief Executive, led a chorus of voices arguing that these activities were without C4's **legal terms of trade**, which stated that its core function was “the continued provision of the television broadcasting service known as Channel 4.” **Elstein pointed to an apparent £250 million ‘hole’** in C4 finances – the difference between 2000's revenue of £642 million and the programming budget of £390 million. Profits seemingly weren't being put back into programmes, defying the *raison d'être* of C4. The threat of privatisation also loomed, as it was a **manifesto pledge** of the Conservative party ahead of the general election.

¹ For more on the FilmFour Channel's branding, see Hannah Andrews, “This is FilmFour - not some cheesy pseudo-Hollywood thing!” The Opening Night Simulcast of FilmFour on Channel 4, *Journal of British Cinema and Television*, 9, 4, 2012, p. 569–587.

On advice from its lawyers, rather than a governmental or regulatory mandate, Channel 4 changed its organisational structure to separate the commercial properties from the main channel. The restructured Channel 4 Corporation looked like this:

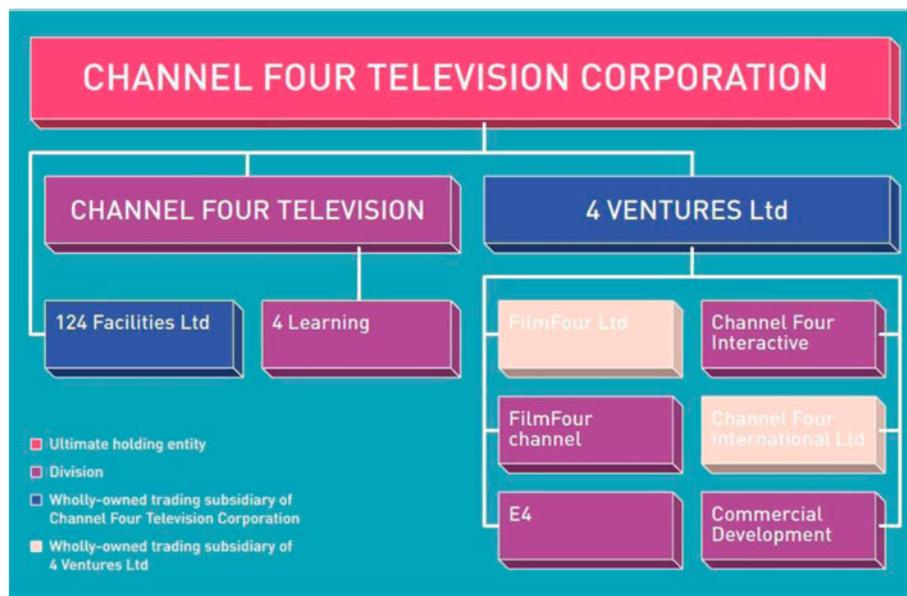


Fig. 2 Corporate structure of C4 Television after creation of 4Ventures, 2001.

Rob Woodward, nicknamed '**Bob the Banker**,' was headhunted from the City to be chief executive, bringing with him an obviously commercial agenda. The changes created two broad silos; broadcast television was hived off from the sexier new media and digital offerings. This implied that public service ideas were incompatible with digital expansion. Maggie Brown reported that this resulted in unease:

The separation of new activities into 4Ventures would become divisive over the next few years, when the team that ran 4Ventures implied they were the future and Channel 4 itself was the past. It became much harder to manage the two entities with their separate ambitions and cultures.²

Rather than the '**natural evolution**' promised by Jackson, C4's emerging convergence strategy was often defensive and reactive, its hand forced by political pressure and the interventions of its competitors. The strategy was underpinned by profligate spending: £138.2 million was spent on new ventures between 1998 and 2001. The commercial enterprises were not built only on *new* media convergence. The most expensive and highly publicised business housed under 4Ventures was the channel's film arm, FilmFour.

2 Converging Old Media: FilmFour Ltd.

Jackson claimed that C4's expansion strategy was to take existing successes and build on them. Nowhere was this clearer than in the creation of Film Four Ltd., a semi-vertically integrated movie producer and distributor that built on the **Channel's history of feature film production**. Channel 4 had always commissioned feature-length film dramas for its *Film on Four* slot. In the 1980s, some of these had achieved cinema distributions and during the 1990s, Channel 4 began to commission fewer, better-funded films, most of which were achieving cinema releases. Some, like *Four Weddings and a Funeral* (Mike Newell, 1994) and *Trainspotting* (Danny Boyle, 1996) were outstanding international successes. In 1998, FilmFour Ltd. was established as a subsidiary of C4. It had a great deal of autonomy, a Chief Executive,

² Maggie Brown, *A Licence to be Different*, BFI, 2007, p. 246.

Paul Webster was recruited from the Disney-owned US indie Miramax, and had separate headquarters on fashionable **Charlotte Street**. Webster reported directly to Jackson, whose support of FilmFour, including the allocation of a £30 million production budget, was probably motivated by his own cinephilia as well as C4's history of film support.

This was a time of renewed confidence in the UK film industry. As part of its focus on the 'creative industries' the New Labour government pledged enhanced public support for cinema, but priorities shifted from localised, low-budget production to backing films expected to compete commercially in the international marketplace. The launch of the Film Council in 2000 made a clear statement of intent for the industry: its head John Woodward said "we are interested in films that can really play in cinemas on a Friday night, and we will not be backing films whose natural home is television."³ FilmFour's ambitions to be an independent film studio within this culture meant that it too no longer wanted to back television-minded projects, but to pursue the higher risks and greater potential rewards of global distribution. Budgets for projects rose and international partnerships, such as those with German distributor Senator or US major Warner Brothers were achieved.

2.1 Charlotte Gray

Pursuing the commercial market meant creative compromises, which weakened the films, which were often glossy but depthless. The best example is the film most frequently cited as the cause of FilmFour's eventual demise, *Charlotte Gray* (Gillian Armstrong, 2001). With a budget upwards of £15 million, it was the most expensive independent film ever made in Britain. Its North American distributors, Warner Brothers unwisely opted for a December opening, hoping that this would produce the awards nominations that were increasingly central to marketing prestige dramas. Awards committees were not convinced, even by the acting of the usually admired Cate Blanchett in the lead role. As the preponderance of close ups of Blanchett in the **trailer** for the film demonstrates, it was sold to audiences on her star persona of outstanding acting talent and beauty.



Video 1. Click [here](#) to watch it.

Cate Blanchett's face is emphasised as the primary selling point of *Charlotte Gray* (FilmFour/Warner Brothers, 2002)

³ See Nick James, 'Small Change,' *Sight and Sound*, 10, 6, 2000, p. 3.

The creative decision that probably killed the film's chances was the use of 'Franglais' – to have characters speak in accented English rather than in French. In a story about the ability of the protagonist to assimilate seamlessly into a foreign society, this seemed silly. For British reviewers of the film, the temptation to compare it to the 1980s sitcom **Allo Allo** (which was also set in occupied France with actors speaking 'Franglais') was too strong. International sales meant that it broke even despite a lukewarm domestic box office performance, but the film did not provide the financial windfall for which it was designed. Targeted too squarely at the international market, it was not distinctive or edgy like Channel 4 films had previously been.



Video 2. Click [here](#) to watch it.

UK critics found it difficult to avoid comparisons between *Charlotte Gray* and 'Allo 'Allo (BBC One, 1982 – 1992)

3 Divergence

Rather than being a convergent company with a shared vision and outlook, Channel 4's subsidiary aimed to disassociate itself from the public service aims of its parent company. Where filmmaking at Channel 4 had previously been an organic part of the offer of the main channel, conceived of as a fundamental part of its public service broadcasting remit, **when FilmFour Ltd. moved** – literally and symbolically – away from Horseferry Road, it actually *diverged* from television. Where at first glance FilmFour seems to demonstrate the convergence of cinema and broadcasting industries, film and television were rhetorically, geographically and philosophically distinct.⁴

4 The End of FilmFour Ltd.

FilmFour was a high-profile casualty of the cost-cutting measures brought in by Mark Thompson when he replaced Michael Jackson as Chief Executive in 2002. These were inspired by uncertainty about the channel's finances after a

⁴ For more on the British film industry in this period, see Chapter Three, in: Jammaj Andrews, *Television and British Cinema: Convergence and Divergence since 1990*, Palgrave, 2014.

sharp downturn in advertising revenue in 2001 – 2002. FilmFour’s distribution and sales team was shut down, fifty jobs lost, and the annual film budget slashed by two thirds, to £10 million. Projects in development were lost, including *Shaun of the Dead* (Edgar Wright, 2004) which was later a hit for the film production company ‘Working Title.’ Rob Woodward blamed the failure of the company on the pressure of competition:

Over the last four years, significant investment and hard work has gone into FilmFour Ltd. to develop it as a meaningful player internationally. However, this has not been possible given the sheer scale of the major studios.⁵

There is some truth to this: the size of FilmFour in comparison to its international rivals meant that it would always be hard to compete, but this makes the optimism with which the company was started seem hubristic and naïve.

5 Re-integration

4Ventures was another victim of Thompson’s spending cuts. In October 2002, 122 jobs were axed in a major company restructure. It became slimmer and more focused, and it halved its losses in 2003. Woodward left 4Ventures in January 2005, ahead of a restructure, which stripped it of the digital channels, which were reintegrated into Channel 4 Television. It was reduced from an expansive enterprise aimed at ‘future proofing’ the broadcaster to little more than an international sales operation making the most of Channel 4’s few assets and new media investments. Channel 4’s own **press release** highlighted the potential for cross-promotion when its television portfolio was brought together:

We also believe that E4, FilmFour and More 4 when it launches, stand the best chance of sustained growth by being placed at the creative heart of Channel 4, with a cross-channel, portfolio approach to commissioning, scheduling and marketing.

The end of 4Ventures initiated a more convergent approach, where Channel 4’s core services were being spread across multiple digital platforms. Rather than its digital channels and online ventures being commercial investments, arguments were now made that the public service remit of the corporation was extended across its various digital outlets.

In 2006 the film arm was re-integrated with the Channel’s drama department, and rebranded as Film4. Film4 became a sleeker, more interesting operation, and there have been a number of notable successes since: box-office hits *Slumdog Millionaire* (2008) and *The Inbetweeners Movie* (2011), Oscar-winning dramas *The Iron Lady* (2011) and *12 Years a Slave* (2013), handsome adaptations like *Never Let Me Go* (2010) and *Wuthering Heights* (2011), and acclaimed realist dramas like *NEDS* (2010), *Tyrannosaur* (2011) and *The Selfish Giant* (2013). This is largely because of the leadership of its outgoing head, Tessa Ross, who is hugely respected in the industry for her strong ability to nurture talent. Her departure for the National Theatre in 2014 potentially marks the end of a fertile creative period at Film4.

Refocusing the film arm on quality content and talent meant that it was better able to cope with competition. The **2006 Annual Report** gives a strong indication of the new more genuinely convergent strategy of bringing film and television drama together: “As digital technology blurs the distinction between film and television, Film4 films continue to focus on talent – and keep on winning Oscars.” This new convergence is perhaps best demonstrated in the *This is England* series. It started as a **feature film** set in 1983, which told the story of a young skinhead group led astray by a racist thug, followed by two television sequels that revisited the gang in **1986** and **1988**.⁶ As the table below indicates, the film and its sequels were relative successes for Channel 4, and each edition was also highly acclaimed by critics.

⁵ Adam Dawtrey, ‘FilmFour sets shutdown FilmFour to shutter, but will finish projects,’ *Daily Variety*, 20 July 2002.

⁶ The final series, set in 1990, was originally planned for broadcast at the end of 2012 but was put on hold, and is now due in late 2014.

<i>This is England</i> (2007)	GB ticket sales: 305, 265
<i>This is England</i> '86 E1 7 September 2010	3, 434, 000 C4 viewers
<i>This is England</i> '86 E2 14 September 2010	2, 683, 000 viewers
<i>This is England</i> '86 E3 21 September 2010	2, 851, 000 viewers
<i>This is England</i> '86 E4 28 September 2010	2. 781, 000 viewers
<i>This is England</i> '88' E1 13 December 2011	3, 000, 000 viewers
<i>This is England</i> '88 E2 14 December 2011	2, 200, 000 viewers
<i>This is England</i> '88 E3 15 December 2011	1, 740, 000 viewers

Because the sequels were produced as miniseries rather than films, the characters and story were more developed, and the emotional impact even greater.⁷ This is an example of an intellectual property – the characters and stories of *This is England* - being exploited across film and television platforms: the kind of convergence fit for the contemporary context. Moreover, Channel 4 was able to utilise its digital channels to cross-publicise *This is England* '86 by scheduling a Shane Meadows 'season' on the Film4 digital channel. *Once Upon a Time in the Midlands* (2001), broadcast on 8 September, achieved 462, 000 viewers, more than four times that of its **cinema audience**. Interviews with cast and crew produced for the season were made available on the Channel 4 website, an example of convergent repurposed content.

6 Learning from FilmFour Ltd.: the Problem with Convergence

The story of FilmFour is instructive in understanding why 4Ventures failed in its pursuit of digital investments that would make a genuine and lasting contribution to Channel 4. There seemed to be two fatal flaws in the strategy. Firstly, it was overly dependent upon savvy management who would be able to spot a potential winner (be it feature film project or digital business) amongst a myriad of creative ideas. The structure put in place in the early 2000s meant a lot of influence was concentrated in a small number of hands, while at the same time C4 became bloated and inefficient, where before it had been small and dynamic.

This leads to the second problem: C4, like FilmFour, was *too small* to compete effectively with conglomerates that were strategically in a better position to exploit the growing convergence between cinema, television and telecommunications. FilmFour competed with Hollywood studios that had the finances, rights ownership, and distribution clout to dominate international film culture. An independent film company with only £30m per year to play with can barely make an impression in such a climate. The 4Ventures strategy was similarly unrealistic. It invested strongly in digital multichannel, but in comparison to behemoths like BSkyB, which not only ran television channels but the platforms that carried them, only significant good fortune in some of their investments was likely to provide the hoped-for commercial gains. When such luck was not forthcoming, the only option was to retrench.

7 Tracing the Convergence Story through Annual Reports

Looking at the annual reports C4 is obliged by law to produce each year offers a useful tool to follow this convergence story. Careful reading of these archival documents can be revealing for researchers, especially if attention is paid to tone as well as data. For example, the **2001 Annual Report** that introduces 4Ventures demonstrates an attempt at

⁷ See David Rolinson and Faye Woods, 'Is This England '86 and '88? Memory, haunting and return through television seriality,' in: Martin Fradley, Sarah Godfrey, and Melanie Williams, eds, *Shane Meadows: Critical Essays*, Edinburgh University Press, 2013, p. 186–202.

mitigation, constantly reminding readers that the company began life in a severe economic downturn. Unlike the bullish confidence of the report from the year before, this document betrays a moroseness which predicts the large cuts to follow, almost suggesting that the convergence strategy was destined to fail in its early days.⁸

Emphases and absences in annual reports are particularly telling. FilmFour Ltd. is conspicuously absent from the **2002** report, the year in which it had been drastically cut back. However, where this document spends several pages explaining the meaning of multi-channel television to justify C4's convergence strategy, in **2003** and particularly **2004**, the focus is on the public service remit of the core (terrestrial) channel, with FilmFour and the other non-television services downplayed. The year **2005** continues to stress public service, but begins to apply it to the entire C4 portfolio, describing its newly launched digital More4 service 'a public service channel for the 21st century'. By **2006**, C4 was envisaged as a convergent television brand, with the chairman's statement illustrated with an image of the diverse media outlets under the broadcaster's auspices.



Fig. 3 This page from the 2006 Channel 4 Annual report illustrates the segmentation of the corporation into convergent media outlets

The **2010** report was illustrated with an image from *This is England '86* with the tagline 'looking back, looking forward', which speaks both to the historical setting of the drama and to the bind that C4 finds itself in as a public service broadcaster in a convergent world – looking back to a remit that constrains it, looking forward to an unknown future. Although the **2013 Annual Report's** title boasts of a 'return on innovation', Channel 4 today is an increasingly small player in a media landscape dominated by international competition. The legacy of the 4Ventures years is a digital portfolio which still delivers a decent audience share (an average of 11 per cent in 2013), but has failed to secure C4's financial future: it operated at a £15 million deficit in 2013.

⁸ Annual reports are, of course, published in the year succeeding that on which they report.



Fig. 4 The front cover of the 2010 C4 Annual Report uses *This is England '86*, a programme, which demonstrates the convergence between cinema and television, to show its commitment to the traditions and future of the corporation.

C4's attempts to become a broader-based media corporation suffered from a lack of capitalisation, dependence on an unpredictable and depleting means of finance in advertising, and, ultimately, a lack of genuine vision about how a small television broadcaster might play to its strengths. 2013's '**Born Risky**' advertising campaign suggests that these strengths historically were innovation and experiment. Channel 4's ability to do this in future, under pressure from mounting competition and an unsteady financial basis, is likely to be limited.

Biography

Hannah Andrews is Lecturer in Film and Television Studies at University of York, UK. Her book *Television and British Cinema: Convergence and Divergence since 1990* was published earlier this year by Palgrave Macmillan. Her current research extends her interest in the relationship between cinema and television by exploring the meaning and use of the term 'cinematic' in contemporary media culture. She is also researching biographical drama on British television.