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Uncertain Futures: Public Service Television and the Transition to Digital - a Comparative Analysis of the Digital Television Strategies of the BBC and Channel 4

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UNCERTAIN FUTURES: PUBLIC SERVICE TELEVISION AND THE TRANSITION TO DIGITAL - A COMPARATIVE ANALYSIS OF THE DIGITAL TELEVISION STRATEGIES OF THE BBC AND CHANNEL 4

Georgina Born

Abstract

Television remains the most powerful and ubiquitous medium for social communication. The advent of digital television (DTV) and the prospective convergence between television, computer and telecommunications technologies augur radical changes in the media ecology. In the context of the ensuing technological, economic, cultural and regulatory uncertainties, some analysts argue that public service broadcasting faces new threats, others that it bears new responsibilities. This report presents the results of an ESRC-funded study carried out in 2001 which examined the digital television strategies of Britain's two main public service broadcasters (PSBs), the BBC and Channel Four (C4), in this period of multiple uncertainties.[1] The research also examined *how* the PSBs develop strategy in the face of such uncertainties. On this basis it sought to evaluate the strategic planning of the two PSBs, and to assess to what extent their respective policies demonstrate a revitalised role for PSB in the digital context and are likely to enhance the quality of British television. The research highlights the increasingly central role of strategy, market analysis and market research in the dynamics of the contemporary media industries.

The study has two further outcomes, outlined at the end of the report. It yields major insights for public policy in this area, highlighting the problematic nature of the regulatory controls operating on C4, the contradictory policy imperatives under which the BBC is labouring, and the critically important role in the roll-out of digital services being played by the publicly-funded BBC. In addition the research has implications for economic sociology. It offers a case study that exemplifies recent theories of the performative role of expert discourses, and particularly forms of economic expertise in contemporary business practice. Little attention has been paid by the new economic sociology and media political economy to the speculative processes by which new markets, such as those being formed around digital television, come into being. This study offers such an analysis, focusing on the way strategy and marketing are deployed to conceptualise, frame and constitute future media markets.

Background

Television remains the most powerful and ubiquitous medium for social communication. The advent of digital television (DTV) and the prospective convergence between television, computer and telecommunications technologies augur radical changes in the media ecology. In the context of the ensuing technological, economic, cultural and regulatory uncertainties, some analysts argue that public service broadcasting faces new threats (Sondergaard 1998; Chalaby and Segell

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[1] It is striking and a cause for concern that, although ITV and Channel 5 are regulated, like C4, by the Independent Television Commission according to public service criteria, the Department of Culture, Media and Sport specifies on

1999), others that it bears new responsibilities (Graham 2000; Inglewood 2000; Born and Prosser 2001).[2] This paper presents the results of an ESRC-funded study by the author in 2001 which examined the digital television strategies of Britain's two main public service broadcasters (PSBs), the BBC and Channel Four (C4), in this period of multiple uncertainties,[3] as well as examining *how* the PSBs develop strategy in the face of such uncertainties. On this basis the study sought to compare and evaluate the strategic planning of the two PSBs, and to assess to what extent their respective policies demonstrate a revitalised role for PSB in the digital context and are likely to enhance the quality of British television. The research highlights the increasingly central role of strategy and the related disciplines of market analysis and market research in the dynamics of the contemporary media industries. While the main part of this paper relates to findings from the 2001 study, given the rapid changes in this sector, a Coda updates the analysis to the present (March 2003).

The study has two outcomes beyond the immediate analysis, which are outlined at the end of the paper. It yields major insights for public policy in this area, highlighting the problematic nature of the regulatory controls operating on C4, the contradictory policy imperatives under which the BBC in particular is labouring, and the critically important role in the roll-out of digital services played by the publicly-funded BBC. In addition the research has implications for economic sociology. It offers a case study that exemplifies recent theories of the performative role of expert discourses, and particularly forms of economic expertise in contemporary business practice. Thus far little attention has been paid by the new economic sociology and media political economy to the speculative and projective processes by which new markets, such as those being formed around digital television, come into being. This study offers such an analysis, focusing on the way strategy and marketing are deployed to conceptualise, frame and constitute future media markets.

The BBC and C4 are good for comparison. They have different funding bases (licence fee revenue for the BBC versus advertising for C4), regulatory structures (self-regulation via the BBC Board of Governors as opposed to external regulation by the Independent Television Commission for C4)[4] and audience profiles (the BBC being committed to universality, while C4 has focused in

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its website only the BBC, C4 and S4C as Britain's PSBs, while ITV and C5 are described as 'primarily commercial broadcasters [that are] required to include certain types of programming' (DCMS website, Nov. 2001).

[2] On the concept of public service broadcasting, and its contemporary redefinition, see Born and Prosser 2001.

[3] It is striking and a cause for concern that, although ITV and Channel 5 are regulated, like C4, by the Independent Television Commission according to public service criteria, the Department of Culture, Media and Sport specifies on its website only the BBC, C4 and S4C as Britain's PSBs, while ITV and C5 are described as 'primarily commercial broadcasters [that are] required to include certain types of programming' (DCMS website, Nov. 2001).

[4] C4's regulation by the ITC, given its commercial expansion, is complex and partial. C4's public service remit now applies only to the main channel. Its new subscription channels must abide by the ITC's Codes but have no public

the last decade on demographic groups attractive to its advertisers, ie higher socio-economic groups and younger audiences). They also have different remits.[5] The BBC is expected to provide services of a high standard that inform, educate and entertain,[6] offering a wide range of subject matter for local and national audiences, as well as ensuring accuracy and impartiality in its news programming and in coverage of controversial subjects. C4's remit centres on complementing ITV through the provision of distinctive output, and requires innovation and experiment in the form and content of programmes. C4's licence renewal in 1998 required an increased commitment to innovation and experiment, educational and multicultural programming, and to training and regional production.

The economic uncertainties facing British broadcasting include greatly increased competition, a severe advertising downturn, the threat of economic recession, and declining budgets for expanding multichannel services set against falling production costs. The year 2001, the period of this research, saw a serious advertising recession causing financial crisis among the commercial broadcasters.[7] As a result they have developed multi-revenue business models, with subscription seen as the main source of revenue growth (ITC 2001). In 2001, for the first time in decades, the BBC was secure and confident while the commercial terrestrial sector was not. Further uncertainties stem from competition and fair trading issues: for the PSBs, the need to find an appropriate balance between public service and commercial activities and to identify legitimate market openings; for the industry, the challenge issued by BSkyB's near-monopoly of distribution through the success of its digital satellite (DSat) platform with vertical links to Sky channels, film and sports content.[8] The threat to pluralism posed by dominant players with monopolistic controls over distribution linked to premium content is often noted (Lang 1997; Shooshan and Cave

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service requirements on digital cable and satellite. If carried by digital terrestrial television they have vestigial PSB requirements, such as having to include a low level of original programming. Internet services fall outside the remit of the ITC unless promoted as support material for specific PSB programmes.

[5] For the BBC's remit, given in the Jan. 1996 Agreement with the Secretary of State, see http://www.bilderberg.org/bbchartr.htm. On C4's remit as licenced by the ITC, see http://www.itc.org.uk/.

[6] The current Director General, Greg Dyke, recently added the fourth term '*connect*' to the BBC trinity of 'inform, educate and entertain', an attempt to shift away from the BBC's top-down, paternalistic image and to invoke the BBC's role in employing interactive media to foster horizontal rather than hierarchical networks and connections.

[7] Advertising revenues were reportedly down 12% from the previous year (*Broadcast*, Nov. 30, 2001). For ITV, the BBC's major competitor, advertising was reputed to be down 25%, resulting in extreme nervousness. Compounded by the difficulties of ITV's DTT service, ITV Digital, the broadcaster was in severe financial crisis. Another threat to advertising revenues that alarms commercial broadcasters, including C4, is posed by the new technologies, such as TiVo, that allow viewers to programme their own viewing and evade advertising altogether.

[8] BSkyB's apparent success must be weighed against its economic fragility: since 1998 it has spent £2.4bn on setting up the DSat platform, attracting 5.4m subscribers. In July 2001 BSkyB reported annual revenues of over £2bn and the lowest 'churn' rate (the proportion of consumers who give up the service) of any pay TV operator. On the other hand, by giving away its set-top boxes BSkyB was subsidising each subscriber by £250, and in 2001 it carried a debt burden of £1.5bn.

2000).[9] The economics of commercial digital channels are themselves fragile and in 2001 several folded, including those backed by major corporations. Channel consolidation is foreseen, and increased emphasis is given in industry debates to the need for high quality content to drive digital takeup.[10]

The present situation involves cultural and social uncertainties: the erosion of a common national culture given devolution and the growing multiculturalism of British society; changes in the way television is watched with multichannel and timeshift technologies; and the fragmentation and segmentation of audiences consequent on these changes (Dodd and Stevenson 2001). Yet it is unclear how extensive are these changes and what their final form will be. The technological uncertainties facing DTV are also great given the existence of three competing platforms.[11] This in turn adversely affects consumer confidence, reducing take-up.[12] In 2001 several factors fuelled consumer resistance to adopting DTV: the existence of the three platforms, consumer confusion about their relative strengths and weaknesses, fears of early obsolescence, the high costs of adoption, and the equation of digital solely with pay television. Surveys suggest that such resistance is not passing.[13] In this context the Consumers' Association argued that, if government wants to achieve analogue switch-off, the PSBs can play a vital role by developing attractive free-to-air digital services to draw resistant consumers (Consumers' Association 2001a).

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[9] BSkyB/Sky's position was being investigated by the Office of Fair Trading, Oftel and the European Commission. In December 2002 the OFT's ruling was announced, rejecting the complaint that Sky had charged rival platforms excessively for carriage of its premium channels. Oftel also rejected complaints against the company. There is also the question of its charges to other broadcasters for carriage of their channels on DSat; ITV was recently charged £17m for carriage of ITV1 (*Broadcast*, 11 January 2002). The BBC's digital plans have also been subject to detailed public and governmental review on competition issues.

[10] On the problems of the DTV economy, the collapse of digital channels and the lessons therefrom, see Wood (2001b) and Walmsley (2001). These were key themes of the Royal Television Society's Cambridge Convention in September 2001, a major industry event. Among the digital channels that have collapsed are BSkyB's technology channel .tv, and the Carlton / Sainsbury joint venture food channel, Taste CFN.

[11] The three platforms are digital satellite (DSat), digital cable (DCab) and digital terrestrial television (DTT).

[12] According to the ITC, 40% of British households had multichannel television by mid 2001, 25.6% of them digital. Of digital households, 68% had DSat, 20% DCab and 12% DTT. Britain is ahead of the European average in take-up: 9% of European households had DTV by the end of 2000, and 12% were expected to adopt by the end of 2001; of these 80% had DSat, 14% DCab and 6% DTT (Braillard 2001).

[13] The Consumers' Association (2001a) survey of consumer attitudes to digital television stressed that 66% of non-adopters had not looked into the possibility of getting DTV. Of those non-adopters who had looked into it, 25% had decided definitely to get it, while 32% said they would never get DTV, and 50% of older and retired people never wanted to switch. 64% of those who said they will never get DTV only wanted to watch the existing free channels after switch-off. Only 37% of non-adopters expected to have DTV by 2006, the government's earliest target date for switching off analogue TV. A range of reasons was given for not going digital: expense is a key barrier, particularly among the young, those with children and in lower social grades; while 21% felt they would not use the extra channels. Confusion and lack of awareness of possible benefits were important causes of resistance, especially for the over 55s, but they were even present among 25% of those who had adopted DTV. The CA report issued a warning to government that policy must be developed in light of this significant consumer resistance. Consumer resistance is stoked also by the recognition that DTV does not yet improve technical quality. This led the ITC to stage in Nov. 2001

Despite all these uncertainties, government has strongly advocated the shift to digital television driven in part by larger policy interests. These include the desire to promote Britain's role in the 'new economy', to stimulate the domestic market for information and communication technologies, and to allow the private sector to carry the risks of technological innovation. Such interests link with the government's concern to ameliorate the 'digital divide' as a way of combating social exclusion and political apathy. Universal internet access is seen as a key solution to these problems, and DTV as a possible platform to deliver it (ITC 2001), requiring near-universal take-up of DTV itself (Bickerstaffe 2001). In 1999 the Secretary of State set twin targets for the industry: it must achieve the move to digital by 2010, and public service broadcasting must remain at the core of DTV in Britain. They were reiterated in the 2000 Communications White Paper (DCMS 2000) and in the draft Communications Bill (DCMS 2002).

The White Paper, while strongly supporting a continuing role for public service broadcasting, outlined a new regulatory framework to meet the changing media and broadcasting ecology wrought by convergence. It proposed a new unified, 'light-touch' media and telecommunications regulator, Ofcom, although the BBC was still predominantly to be self-regulated. The White Paper provoked much debate, particularly over the relationship between content regulation and economic regulation, increased reliance on self-regulation for commercially-funded PSBs, lack of clarification on media ownership rules, and whether the BBC's regulation should come fully under Ofcom. The Communications Bill is expected to become law during 2003. It will establish the new Ofcom, responsible for both economic and content regulation, but with a content board to undertake the bulk of content work and with some moves towards co-regulation by the new regulator and the broadcasters themselves in the implementation of public service commitments. It is likely also to lift key restrictions on cross-media and foreign ownership.

There remains considerable regulatory and business uncertainty, for example relating to the realistic long-term funding outlook for the industry, how many digital platforms the UK can sustain, and whether there is really an audience for convergent media such as television accessed via mobile telephony or the internet via television screens. It is also uncertain how to encourage television manufacturers to develop affordable digital sets offering high technical quality. There is substantial disquiet that government has failed effectively to address these major problems.[14]

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a seminar aimed at ameliorating the technical standards and design of DTV sets, and at finding agreement on quality standards.

[14] Trenchant criticisms of government failure to clarify its public policy goals and its agency in the roll-out of DTV were made in response to the government's Digital Action Plan; see, for example, Consumers' Association (2001b).

A further background factor is a questioning of the viability and legitimacy of public service broadcasting in the digital era. This follows in the wake of the hostility towards the BBC emanating from government and critics in the 1980s and early 1990s. Critics argue that publicly funded PSB is no longer necessary in the digital era. They cite the end of spectrum scarcity, unprecedented diversity of channels, and the prevalence of mature consumers able to select from an increased number of channels. Some argue that the PSBs' mixed television schedules are outdated, and that the content regulation underpinning PSB is redundant with convergent technologies (Dodd and Stevenson 2001: 130; cf. Gardam 2001, Sacks 2001). Others consider that the BBC distorts the markets in which it operates, that only the market failure function of PSB continues to be justified, and that this can be contracted out competitively (Bazalgette 2001, Cox 2003). Yet others maintain that contemporary media markets have no such failures, and that PSB has no remaining justification (Stelzer 2001; Veljanovski 2001). There is the claim that the PSBs are dumbing down, that BBC1 and C4 increasingly imitate their commercial competitors and are failing in their duty to maintain quality standards for the industry (Liddiment 2001).

Yet for all the criticisms, the PSBs are remarkably resilient. From the mid 1990s the BBC funded through efficiency savings and growing commercial income the development of new online services, commercial and public service television channels, some of them involving international partnerships. In all this the BBC was responding to government policy; a 1994 White Paper for the first time specified increased commercial operations, the growth of foreign markets and a presence in the international multimedia industry as priorities for the BBC. In the same period the political climate improved. In February 2000 government agreed a 7-year, £200m rise in licence fee income to fund the BBC's digital expansion, and it ruled finally on the BBC's plans for digital television and radio in September 2001, passing most of them. This study therefore focused on the period of detailed planning of the new BBC channels before they began operations.

C4's recent history has the opposite shape: from plenty to restraint. From the late 1980s a campaign was waged to change C4's funding basis, and from 1993 the channel was permitted to take over from ITV the sale of its own advertising, with a levy on profits going to the ITV companies. In 1994 C4 launched a campaign to end this 'funding formula', and in 1998 the last payment was made. Since then C4's profits have been ploughed back into new services and rising programme costs, particularly its US imports. After the arrival of Michael Jackson as Chief Executive in 1997, C4 expanded, staff numbers rose rapidly and new services began: two subscription channels, new internet, interactive and cross-platform operations. In February 2001 a commercial subsidiary, 4Ventures Ltd., was set up to encompass the commercial offshoots. In sum, C4 was economically healthy and expansive throughout the 1990s. But the second half of 2001 saw economic downturn, a freeze on budgets and job losses. The question arose whether

C4 had expanded too much. This study thus took in a period of reflection on the new enterprises, and the announcement in July that Jackson was to leave at a critical juncture. Two major uncertainties therefore faced C4 at the end of this study: a new chief executive, and looming recession.

The basis of the study was a series of interviews with personnel involved in strategy and policy development regarding digital television and related new services. A total of 39 interviews of between 60 and 90 minutes were recorded primarily with strategists, market analysts, market researchers and directors of new services and channels at the BBC and C4. Interviews were also carried out with other expert parties, including independent producers, regional BBC executives and ex-BBC staff (see Appendix). The interviews and their analysis addressed three main foci: the PSBs' handling of technological and industrial uncertainties; the social and cultural challenges presented by the fragmentation of audiences linked to the challenge of creating and positioning new services for DTV and related new technologies; and the economic and organisational challenges presented by the changing nature of competition, declining budgets, the need for new sources of finance, and fair trading issues.

Channel 4: Strategies pursued, their overall rationale, and how they were developed

In the context outlined earlier, under Michael Jackson C4 expanded increasingly in commercial directions. The channel's internet, merchandising and publishing activities grew. In November 1998 C4 launched the subscription channel Film Four, based on its long-standing film production brand, and in January 2001 a subscription entertainment channel, E4. In April 2001 FilmFour became a brand subsuming four subscription channels available only Sky digital: the original FilmFour channel, FilmFour Plus One, a timeshift version of the original channel, FilmFour World, specialising in international films, and FilmFour Extreme, devoted to controversial and extreme content in film. With the reality programmes *Big Brother* and *Big Brother 2*, huge ratings successes in summer 2000 and 2001, C4 is considered to have pioneered multi-platform programming in the UK. The second show ran in real time on its own website and at certain times on E4, with edited highlights on the main channel.[16] Both also involved 'interactivity' – the opportunity to phone in and vote for contestants – a development that continued with the spoof betting gameshow *Banzai*, which opened on E4 and crossed to the main channel.[17] To encompass the commercial services, and to mark the boundary with C4's public service activities,

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[16] From this point, to avoid confusion, I refer to Channel 4's main, public service television channel as 'the main channel', and to C4 when referring to the overarching Channel 4 corporation as a whole.

[17] *Banzai* invites viewers to bet interactively on the outcome of absurd contests; no money is exchanged, but viewers who bet can accumulate scores over the series. This facility is only available on the DSat platform (as with the BBC's iTV services). DTT is not able to support it.

in February 2001 a new holding company was set up, 4Ventures Ltd. With E4, and with the main channel's growing youth focus, C4's operations became increasingly oriented competitively towards the populist, low budget channels Sky One and Channel 5 as well as its former competitor, BBC2. Plans in development in 2001 for C4 included a horse racing and betting pay channel and website, At The Races; expanded educational activities under the 4Learning brand (part of 4Ventures); and a teenage web portal.

A series of strategic rationales are given by strategists and executives for these developments. A focus on strategy had been unknown before 1997. Following Jackson's arrival, a group of executives from pay television and strategists with management consultancy backgrounds were recruited, and market analysis and market research became increasingly central. Effort was put into developing a three to five year corporate strategy for the new environment, resulting in June 1999 in a document called 'Strategy for Growth'. This argued that C4 should become a cross-platform media company by extending its 'core reputation' as a brand, which is considered to centre on four strengths: film, entertainment, sports and factual. The plan was disseminated in the organisation by a 'cascade approach'. One recommendation was to set up a focused interactive department, another to start the entertainment channel. E4, and before it FilmFour, took about one and a half years to develop from decision to launch, which is seen as lengthy and as reflecting their quality, the norm for digital channels being 6 to 9 months.

The BBC: Strategies pursued, their overall rationale, and how they were developed

In its proposal for digital expansion announced in autumn 2000, the BBC outlined four new television channels and five new radio networks. The television proposals comprised: BBC3, a youth television channel focused on entertainment, drama and comedy, with news, some factual and documentary programming (a transformation of the existing BBC Choice); BBC4, a cultural television channel with a focus on ideas, the arts and sciences, international issues, sophisticated factual programming and news (a transformation of the existing BBC Knowledge); and two new children's channels – CBeebies for pre-school (0-5 year olds) and CBBC for 6-13 year olds. The children's channels were designed to use the spectrum of BBC3 and BBC4 from early morning to early evening. The new radio stations comprised: 1Xtra, dedicated to contemporary black music; BBC6 Music, for classic pop from the last 40 years; BBC7 for entertainment speech radio (comedy and drama); Radio Five Live Sports Extra, a part-time live sports network; and The Asian Network, a mixed genre, mixed faith network with half speech and half music.

For each medium the digital plans were conceived as part of an overall portfolio, to complement existing networks without detracting from them. The plans were advanced as the BBC's total commitment to expansion in the next decade. With the new channels the BBC's free-to-air public service television portfolio will consist of BBC1, BBC2, BBC3, BBC4, the pre-school and older childrens' channels, BBC News 24 and BBC Parliament (BBC 2000b). At the same time the BBC New Media directorate (rebranded BBCi) continued to expand research and development on internet, interactive television (iTV), convergent and cross-platform services and new platforms. While this study did not cover these in depth, it did look at the BBC's early experiments in iTV and broadband.

When government responded to the BBC's plans in September 2001, they were approved with provisos that the channels must have distinctive public service qualities, that existing services are not adversely affected, that they must contain a high proportion of British and European content and must involve interactivity (DCMS 2001). BBC3 was not approved as it was considered insufficiently distinct from commercial channels, but the BBC was given an opportunity to amend the proposal. In September 2002 the government approved the revised BBC3 submission, stipulating innovative, risk-taking, diverse, high quality and accessible programming as well as high percentages of original, British and European content.

The former Director General, John Birt, instigated a focus on strategy within the BBC from the early nineties, employing increasing numbers of management consultants. Under the current DG, Greg Dyke, strategy has been greatly streamlined. Each internal strategist now works both for Corporate Centre on macro issues of competition, market context and performance, and with a channel controller on short and medium-term issues including editorial and marketing concerns.[18] For the digital channels, controller-designates, marketers and strategists worked together, as an executive put it, 'to establish the competitive environment, market need, audience need, and what [the] channel proposition is going to be'. A great deal of market research was carried out, both macro on market context and micro on specific channels and audiences, some of which was publicly released in the attempt to legitimise the BBC's strategic thinking (eg .ECON 1999; Spectrum 2001).

In submissions to government from 1999 on, the BBC stressed the likelihood that the take-up of digital pay television would plateau, and that its services would play a crucial role in attracting

[18] For reasons of space, this report can only touch on the important question of how the BBC's organisational structure changed between the Birt and Dyke eras, and how this affects the implementation of digital strategies. Birt began the reorganisation of the BBC to enable it to respond to digital opportunities, most famously in the 1996 restructuring which divided Production from Broadcast (Born 1999). Dyke reformed and reversed aspects of this, announcing a flatter structure, 'One BBC'. A transactional commissioning relation still exists between broadcast channels and most areas of production; but with the growing number of services, the commissioning structure now also has a 'genre overview' attuned to the need to direct content towards the most appropriate service, and in some areas the broadcast/production split has been abolished. The current structure is pragmatic in response to particular conditions in each genre, and more flexible than before.

resistant viewers to digital. The BBC's overall aims with its DTV proposals were therefore threefold: 1) to respond to the government's call for the PSBs to help drive the transition from analogue to digital, and to be at the core of digital, by developing new attractive, high quality services; 2) to complement the pay television market by offering such services free-to-air and without advertising, thereby ensuring their potential universality; and 3) to fill out the BBC's services into a coherent portfolio of channels by strategic interventions in expanding markets. In these ways the BBC intended to justify the new tranche of funding for digital. It aimed also to fulfil its traditional role of setting quality benchmarks for commercial operators in the new markets.

The BBC's overriding rationale for its digital proposals can be summed up thus: they were *not* driven primarily by a market failure conception of the BBC's role, just as historically, the BBC has conceived of its remit as more than providing what the market will not provide. From the Reithian outset, the BBC has considered that it must provide entertainment and popular programming, as a social good in itself, to foster social cohesion, to legitimise the licence fee, and to draw viewers to more challenging programming (Scannell and Cardiff 1991). It has not always been successful in popular programming, but has remained committed to providing a full range of genres. The BBC's public service commitment to universality in its several senses (technical and geographical, social and cultural) involves the need to serve a wide range of social and cultural groups, and to achieve this through programming that includes a wide range of subject matter and of genres.[19] The BBC sees its role, then, as fostering genuine diversity of a kind that the global media companies dominating multichannel television will not (BBC 2000a).

On this basis, and given the developed state of multichannel television in Britain, the BBC takes the view that it is legitimate to position its new channels in what are already competitive markets. Indeed it argues that such interventions can help drive the UK's economic success in these markets, by helping to set and raise standards through relatively high-budget origination (BBC 2000a; Born and Prosser 2001). When translated into digital terms, this view entailed an analysis of which interventions would be most fruitful, even given existing commercial offerings. The major external challenge faced by the BBC in the long period of consultation on its digital proposals therefore took the form of charges of unfair trading and of entering markets already provided for by commercial operators. These charges were aimed particularly at BBC3, which, with its youth focus, could be seen as occupying similar territory to E4, Sky One, Channel 5 and even C4, and the two children's channels, which will apparently inhabit the same crowded market as Cartoon Network, Fox Kids, the Disney and Nickleodeon channels and others. The unfair trading criticisms

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[19] For arguments as to why the BBC's role should not be limited to market failure, the importance of the BBC's entertainment functions, an analysis of the three meanings of universality in policy, and why the different senses of universality are central to the BBC's remit, see Born and Prosser 2001.

take two forms: that these markets are already well supplied, and that the BBC benefits from cross-subsidies and cross-promotions between its public service and commercial enterprises in unfair ways. The complaints led competitors to argue against the BBC's plans, and for a 'level playing field' to be effected by bringing the BBC under the regulation of Ofcom in the new Bill, as well as for the stricter application of UK and European competition law.

In response to its critics, and in designing the new channels, the BBC stressed three factors that differentiate them from commercial competitors: 1) the absence of advertising; 2) that they will contain a high proportion of original British programming, for which budgets will be higher than the digital channel norm; and 3) that each channel will contain a mix of genres (including 'public service' genres such as news and current affairs), unlike the DTV norm where channels are commonly niche or genre-based. Moreover, and importantly, the precise character of the new channels was seen as necessarily open to change in response to changes in viewing.

Key strategic rationales

Ten variables emerge from the interview data as key strategic rationales for the new DTV channels and cross-platform services. The strategic rationales were presented discursively by those centrally involved in strategy development. They evidence both overlaps and differences between the two PSBs, the differences stemming most obviously from their contrasting funding bases, particularly in the context of the severe financial uncertainties faced by commercial broadcasters. In what follows the rationales given by executives at C4 and the BBC are summarised and compared:

1) Increasing and diversifying revenue streams

In the context of falling advertising income and recession, this *economic* rationale is the driving force behind C4's plans. The aim is to cushion the main channel from future budget shortfalls. Revenues from subscription channels, sponsorship, rights trading, commercial interactive activities, merchandising and internet extensions are seen as imperative to secure funding for C4's public service commitments.[20] For some, C4's commercialisation is a good in itself: it is argued that C4's public service remit for innovation and risk-taking can also bring commercial rewards. A major concern is C4's vulnerable position in the new 'value chain'. Its identity is focused on 'aggregating content', and this is seen as relatively powerless by comparison with platform owners and rights-owning production companies. In this light, competition between

[20] A similar rationale of cross-subsidy between commercial and public service operations, in the context of flat funding, drove the BBC's expanding commercial activities under the banner of BBC Enterprises (later BBC Worldwide) during the early 1990s. The BBC, under pressure of criticism, adopted strenuous fair trading codes to try

platforms is seen as essential for C4's health, to ensure competing buyers for the C4 brand. The prospect of C4 moving into production or distribution, if necessary to support C4's values, is seen as a possibility.

By contrast, this rationale is not apparent in BBC thinking about the new services. While some commercial spin-offs through BBC Worldwide are envisaged, they are not strategic priorities.

2) Maintaining or increasing audience share

In the face of audience fragmentation, in C4 the new channels are intended to add audience share; share will in future be aggregated across the C4 channels, giving a '4share'. Share in multichannel homes is now taken as the key measure of success, as those homes are assumed to be indicative of the future, and C4's target audiences, 16-34 year olds and ABC1s, are early DTV adopters. Moreover C4's share in multichannel homes is relatively poor.[21] Changes in C4's share have huge repercussions: each percentage point represents £50m in advertising income. In multichannel homes E4 is expected eventually to add 2% to the main channel's 6-7% share.

For the BBC, while maintaining share as a proof of popularity matters for reasons of justifying licence fee funding, there is no direct economic pressure to maximise share. BBC3 and BBC4 are intended, by improving output, to raise the share of BBC Choice and BBC Knowledge, which stand at approximately 15% and 5% of the digital audience. The question of share is at the core of the debate on BBC1, the main mass channel, with critics accusing the BBC of chasing high ratings at the expense of its public service commitments. The question of BBC1's function returns below.

3) Extending and strengthening the brand

The new activities are seen as extending the C4 brand by exploiting what are deemed to be its 'core values' and strengths. Early in the strategy process, the core values were elucidated;[22] the process continues using a market research tracking study which probes whether audiences see C4 as representing the core values more than competitors, and to what extent the new services embody the values. The core values are: 'contemporary', 'smart', 'innovative', 'risk-taking', 'freedom', 'new perspectives', 'commercial', 'creativity and excellence', 'production quality', and

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and prevent damage bleeding back to its public services. As yet C4 has not done anything similar, and it contends that its lack of public funding makes this unnecessary.

[21] In 2001 C4's share in multichannel homes was approx. 7%, whereas its overall share was around 10% - a significant gap. In comparison, Channel 5's overall share was around 5% and its share in multichannel homes was also 5%.

[22] A marketing executive recalled the original process of defining C4's core values thus: 'When [Michael] first came, one of the things he said was, "Channel 4 needs to be Channel 4, we need more Channel 4 within Channel 4". So all the things that Channel 4 was originally known for – to be risk-taking, innovative, brave – he thought we needed to do more of. So, about a year after he joined, he got a group of people together to come up with our core values'.

‘let the viewers decide’. They are often cited by those engaged in the new ventures, although their relation to C4’s practice remains to be interrogated. The concept of diversity – also mentioned, and originally a key term in C4’s remit – was not listed at this time, but was subsumed within ‘freedom’ in a limited way: ‘Channel 4 believes in individual freedom and seeks to promote diversity of opinion and freedom of expression’. It is notable that this use of ‘diversity’ is narrower than the common usage of the term in discussions of public service broadcasting.

While the BBC has less direct economic incentive to strengthen brand recognition, the less instrumental functions of branding – building consumer awareness, loyalty, attraction and affection – are seen to be of immense significance, as much as for C4. There is great concern among executives that the strength of the BBC brand has been eroded, particularly among the young. This links to -

4) Generational renewal: demographic concerns

Both C4 and the BBC are alarmed by evidence that the concept of public service broadcasting has little meaning for Britain’s youth. Market research shows that it is the under-35s who are most attracted by multichannel commercial television. The digital strategies are conceived as a central means of building an audience among the young, and thereby an audience for the future. C4 sees its new services as a means of attracting young viewers, and as a way to renew the audience for C4’s vision of PSB. The need for generational renewal is translated into the case for innovative entertainment, embodied in E4. An executive explained, ‘Increasingly, we say to ourselves we’ve got to be the public service broadcaster that keeps in touch with the audience that wouldn’t dream of tuning in to public service broadcasting. If public service values are going to remain in touch with that generation, E4 is a bridgehead into what is essentially alien territory.’

The BBC also considers its new services – particularly BBC3, aimed at 16-34 year olds, and the children’s channels – as responding to the ebbing identification of young people with the BBC, and as a way to renew its relationship with young viewers who will otherwise in future be lost to the corporation. The aim is to build a portfolio of channels that will suit different generational needs and that will draw audiences across the BBC’s services.

5) Adapting to the pay television economy

Another set of rationales concerns the pragmatics of the new pay television economy and the need to be connected to its consumers and technologies. But significant differences exist between C4 and the BBC. At C4 a definite momentum is assumed: pay TV is the future, and C4 must be in there. A strategist put it thus: ‘We have to [think], “How is the market moving?”; and if people are beginning to expect to pay for services, if we don't acknowledge that reality we are in danger of finding ourselves in a fast-moving market [with] advertising revenues collapsing [and] no means of support'. At the BBC, by contrast, strategy is *not* driven by the assumption that consumption is moving inexorably and willingly towards a pay TV norm. The commitment to universality is taken to mean that the BBC must continue to serve audiences resistant to pay TV, in the form of the mixed genre terrestrial channels, while encouraging the shift to digital through new high quality digital channels. The BBC's thinking about audiences, and how its portfolio can serve them, is broader and subtler than C4's (see also 8 and 9 below).

The pay TV economy imposes its own rules: both broadcasters have to respond to the new markets for programme rights, since pay TV rights to hit US programmes are often now bundled together with the free-to-air rights. C4 argues that, to remain in the market for hit shows, it is necessary to have a pay channel to air them on, thereby justifying E4. The BBC, by contrast, argues that there are other solutions to this challenge (for example, rights can be shared with Sky). In addition C4 justifies the new pay channel At The Races as enabling it to exploit more fully its racing rights.

Successful public service programming can have a secondary life on pay television or on generic channels. But C4 and the BBC respond differently to this reality. For C4, it offers a commercial opportunity: it is seen as logical for C4 to exploit the secondary rights to its popular programming on its own pay channels, E4 and FilmFour, rather than continuing to sell them to competitors, notably Paramount and Sky, who thereby benefit from C4's brand. Similarly, for the BBC the advent of new channels is taken as an opportunity to stop selling hit programmes to competitors. However, this is not seen as a justification for new pay services. Rather, the aim is that secondary viewings will occur mainly on the new free-to-air channels. For example, CBBC executives argue that, where secondary pay rights have often been sold to Nickelodeon, one aim of the new children's channels is to enable the BBC fully to exploit its successful children's programmes itself on the dedicated channels. Potential merchandising off-shoots and raised brand recognition are additional bonuses, balanced against the loss in rights income to the BBC.

Both PSBs have the challenge of securing a prominent position on the Electronic Programme Guide (EPG), the navigation tool for multichannel television, which for DSat is a proprietary technology controlled by BSkyB. In the fragmenting broadcasting ecology, profile is considered increasingly important, and the existence of several C4- or BBC-branded channels is seen as a crucial means of capturing more visual space and therefore consumer attention on the EPG. The new BBC channels are designed so that they will be able to occupy appropriate genre categories on the EPG – children's, entertainment, arts and news - allowing consumers to identify them by genre *if* consumption moves in that direction, particularly among young people, and mixing the BBC brand in with commercial rivals. Importantly for the BBC's 'future-proofing' strategies, this is so even though the channels are presently conceived as mixed genre. Strategies 3), 4) and 5) - heightening brand recognition, generational renewal and the EPG strategy - are clearly allied.

6) Cross-platform and interactive potential

The new services allow both PSBs to enhance their cross-platform and interactive operations,[23] which are conceived as inevitable and beneficial elements of a convergent future. Innovation in the delivery of content is an obvious aim. As salient is the potential for enhanced cross-promotion between linear and online, free-to-air and pay services, an advantage denied to non-terrestrial rivals. For C4 the entertainment model is *Big Brother 2*'s use of links between the main channel, E4 and the web. Expansion of cross-platform educational output, both commercial and public service, is planned under the aegis of 4Learning, a means of responding to government interest in broadband educational delivery (although in late 2001 this saw a 20% cut due to C4's financial difficulties).

In the BBC, even before the Secretary of State's stipulation that interactivity must support the new channels, there was a history of limited cross-platform and interactive development between television, radio and online. Cross-promotion between the public service channels is well established and is intended to maintain brand recognition, even without commercial intent. In iTV, the BBC is helping to foster competitive innovation. In broadband it is developing pilot schemes of a kind not being offered by commercial broadcasters for an ambitious public service version of interactivity. October 2001 saw the launch in Hull of a pilot joint-venture broadband service, BBC Hull Interactive, providing access to local and national information sources, and linked to a new multi-media educational initiative called BBC Headstart.

7) Technological and platform development

For both PSBs, the new services respond to the need to keep in touch with technological developments, new media and platforms. C4 has a selective approach: market research is used to gain insights into consumer behaviour so as to focus resources on those platforms most suitable for C4's services. Necessary technological development is commissioned from outside software houses. The internet and iTV have proven highly successful for C4; in 2001 the WAP and 3G platforms were seen as too limited.

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[23] The term interactive has more and less inclusive definitions for the media industry. Inclusively, it refers to all interactive elements in media, including such 'old' services as radio phone-in programmes and access television. Currently it refers more often to internet and online services, and the same when linked to television or radio

By contrast BBC new media executives see the BBC's role not only as responding to but as helping to drive technological and platform development. The BBC's current economic strength means it can carry risks that commerce (and C4) might reluctantly carry. In terms of platforms, in 2001 it was developing a set-top box or card to allow free-to-air digital terrestrial access. In addition the corporation is obliged to develop services for each viable new platform, a costly investment given the rapid speed of change. The BBC supports some software development inhouse, and in iTV it has competed successfully against Sky to develop new applications and standards. However, some new media executives did not seem to discriminate between more and less important platform developments, or to be concerned with their potential universality. There was a hint of 'techno-profligacy'.

8) Digital channels as 'R & D' for the main channels

Both PSBs conceive of the new channels, in part, as an 'R & D lab' for the main terrestrial channels. E4 is seen as the 'R & D lab' for C4, a space for innovation and risks that cannot be taken on the main channel and for 'growing talent', a relationship likened by executives to that between BBC2 and BBC1. This is thought to be possible because of E4's high origination budget compared to most digital channels. However E4's Managing Director, formerly with Viacom, saw the relationship between the channels as less clear. In his view pay channels tend to be risk averse because they must prove reliable to consumers; while risk is the main channel's remit. There is thus some ambiguity as to which of C4's channels is properly the place for risk-taking. Nonetheless, in its first year E4 has been a source of innovation, of new shows and talent, for C4, although the ratings for these shows have been small.[24]

BBC strategy envisages the new channels fulfilling an 'R & D' function for the mass channels, BBC3 for BBC1 and BBC4 for BBC2. Programmes and formats developed on the new channels will cross to the main channels; indeed repeat programming is cited as a key means of enabling the BBC to maintain terrestrial-level budgets on the new channels. It will also ensure that, before analogue switch-off, analogue viewers have a chance to see successful digital programmes. Risk and innovation are seen as central to BBC3 and BBC4: for BBC3, like E4, because 'risks are inherent in a youth mindset'. However, to gain legitimacy BBC3 and BBC4 are expected to achieve an appropriate digital audience share and this will constrain risk-taking. But the constraint on free-to-air channels is not likely to be as great as with pay channels, and BBC4's controller

programmes. The restricted definition in relation to DTV refers to interactive television applications (iTV); this in turn has an even more restricted meaning among commercial operators and has come to refer primarily to tele-shopping.

spoke of the importance of the BBC taking a long-term view of building its audience. Just as BBC radio had the role of finding talent for television, so BBC3 and BBC4 are seen as spaces for risk and talent development for the wider BBC – given the BBC's chronic talent drain, an urgent cause.[25]

9) The portfolio approach

Both PSBs have adopted a 'portfolio approach' in conceiving of their expanding services. But this appears both more developed and more flexible on the part of the BBC, perhaps naturally given its far greater scale. Apart from exploiting brand strengths, C4's plans do not evidence a high-level concern with the complementarity of channels. Just one executive pointed to the genre specialisation implicit in the new portfolio: FilmFour for film and drama, E4 for entertainment, the main channel increasingly for factual. He reflected that this may have been Jackson's intention: to prepare niche channels suited to the multichannel future, but without announcing it as such.

The BBC's portfolio thinking is more flexible than C4's in relation to changing consumer mores, linked to its greater commitment to universality. The contrast is shown in the different projections made by C4 and the BBC of future consumer behaviour, projections that are far from reflections of existing reality but which, by becoming the basis for strategy, have the power to influence future realities. The BBC is *not* assuming a universal shift from viewing mixed to generic channels. Nor, in contrast to C4, is it assuming that pay services will become near-universally acceptable. Unlike C4, the BBC has no investment in its audience shifting to pay formats. BBC strategists stress the need not to alienate analogue and free-to-air consumers during the transition to digital. The BBC's 'future-proofing' thus aims to prepare the portfolio for a totally digital world, but without knowing precisely when that will occur, what form it will take in terms of the balance between pay and free-to-air services, or how consumers will respond.

The BBC's thinking also appears more developed on the complementarity and positioning of its channels. Early in the planning, the Director of Television floated a reduction of the genre mix on BBC1 and BBC2 (Thompson 2000). Criticism ensued, and Dyke's next speech stressed that they would remain mixed genre channels (Dyke 2000), with 'greater unity'[26] and with BBC2 shifting to

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[24] E4 commissioned 19 new shows in its first year (Jan.-Dec. 2001), of which five or six were successful enough to be recommissioned, while six E4 shows transferred to the main channel – a good development ratio (*Media Guardian* January 14, 2002, p. 2).

[25] Since the nineties the BBC has suffered a critical problem of talent – star actors, writers, producers and executives – leaving the corporation for lucrative jobs with commercial broadcasters or the independent sector, a problem exacerbated by heightened competition. It has responded by setting up nationwide talent searches and by appointing a controller of talent management.

[26] The phrase is from the head scheduler for BBC television, describing the aim of focusing the programming objectives of the main channels. It remains to be seen whether this is a euphemism for reducing the range of genres.

an older demographic, while BBC3 and BBC4 would also be mixed genre. In the transition period the aim is that BBC1 and BBC3 will be closely related entertainment channels differentiated by tone and age, with BBC3 linked also to Radio 1. BBC1 will be the unifying channel aimed at 'everyone', and it will continue with children's programming despite the new children's channels. BBC2 and BBC4 will also be related and are aimed at over-35s, with BBC4 utilising links with Radios 3 and 4. BBC1 and BBC2 will continue as 'mass market' channels, and their shares may equalise.

10) Raising digital television standards

While both PSBs are committed to original programming on the digital channels and to raising the budget norms for DTV, the commitment to raising standards is more obvious in BBC strategic thinking. BBC3 and BBC4 are intended to buck the low-budget norm for digital and cable. Through restricted schedules (6-8 hours a day), and by repeating programmes within each schedule and across on the main channels (as E4 already does), the aim is to keep budgets close to terrestrial norms. BBC3's annual budget (2002-03) is expected to be £97m, compared with E4's £40m and the average £15m budget for digital channels.[27] While this apparently gives an average budget for BBC3 of £35k per hour, through the techniques mentioned the budget range will be kept between £40k and £730k per hour, equivalent to terrestrial levels.

Channel 4: Analysis and evaluation of C4's approach

In the context of severe advertising recession and the threat of audience fragmentation, C4's revenue-enhancing and diversification strategies appear reasonable. They recall the BBC's response to the squeeze on its funding in the early-mid 1990s. Nonetheless, a number of critical issues are raised by the digital strategies and by C4's current position.

First, there is the financial risk being carried by the corporation and particularly by the main public service channel, the revenues of which are cross-subsidising the new services, if the business plans prove unreliable. While digital expansions have increased the commercial visibility and multi-platform versatility of C4, they have caused serious financial strain to the parent organisation. In 2001 E4 was said to be losing £1m a week, and C4 had used up a cash reserve of £49m and was renegotiating a borrowing facility worth £55m. Late that year, in an attempt to rein in spending, the main channel's programme budget was frozen, 80 job cuts were announced, and 4Ventures announced a search for outside investment.[28] Before leaving C4, Jackson defended the risks taken as long-term investments and as necessary 'R & D' in a fast-moving industry (Brown 2001a; Hughes 2001). As recession bites the viability of the new services

[27] Source: *Television*, Sept. 2001, p.29.

remains to be seen. At worst they could damage C4's public service activities irredeemably. However, if they prove profitable, and if they also achieve quality, the strategy will be vindicated.

Another concern is C4's vulnerable position in the 'value chain' given Sky's power in platforms and content and C4's dependence on powerful production companies such as Endemol, owners of the *Big Brother* format. C4 risks being squeezed by both distributors and suppliers. As a result executives spoke of C4 buying stakes in production companies, and by late 2001 discussions were underway.[30] This provoked criticism from other independents, who argued that C4 would shift from being a company that ploughed profits back into programming to a company with a portfolio of investments in businesses run for profit. There were also reports in 2001 that C4 might get into distribution by joining other broadcasters to relaunch the ailing DTT platform.

A key question is whether the increasing commercialism of C4 as an organisation undermines the vitality of its public service orientation. Commercialism is now seen as a core C4 value; it is pronounced in the discourse of executives and is evident in key hirings. Related issues arise: whether E4 and At The Races represent legitimate market interventions for a public service organisation. Despite the cogent rationales, it is plausible simply to see E4 as a way of cashing in on C4's most popular programming and as disadvantaging the audience for the main channel.[31] It remains to be seen whether E4 can sustain other successful programming.[32] Similarly, there is the question of whether it is legitimate for a PSB to employ gambling (At The Races) to attract consumers and increase its revenue. This seems debatable, yet to my knowledge there was no formal exchange with the ITC, pointing to C4's ambiguous relations with its regulator as its commercial activities expand.

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[28] Sources: Brown 2001a, *Broadcast* October 5 2001, *Broadcast* November 16 2001. According to its own figures, Channel 4 has set aside £80m to bring E4 to break even in about 2005/2006. In 2001 the new channels (E4 and the film channels) lost £30m, and around 4% of the company's turnover was spent on them. In the face of criticisms of E4 and the current losses, C4's MD of digital services insisted that thus far, performance and investment remain very much as foreseen in the business plans (*Broadcast* January 11 2002, p. 21).

[30] Such plans were first mooted with the independent company Wall To Wall, a leading C4 supplier (Rouse 2001).
[31] This is no simple matter: having 'must see' or hit programmes is widely acknowledged in the television industry as the only way to bring viewers to subscription digital channels. It is also well known that having one or two of the five top-rated American shows can make a subscription service, and is the only way to force BSkyB to carry a channel on their dominant DSat platform. E4 executives told how BSkyB refused to agree carriage terms for E4 for many months, attempting to use their negotiating position as a lever to buy a share in E4 – which was resisted. At the last minute BSkyB caved in and agreed terms to carry E4 because it feared the fall-out if E4's hit US shows – *ER*, *Ally McBeal* and *Friends* – were not available on BSkyB's platform. The soaring rights costs for these shows, and the problem of their separation from the main PSB free-to-air channels, are increasingly serious challenges to the industry as a whole.
[32] In its first year, 2001, E4's average share in all multichannel homes met the C4 target of 0.8% (source: ITC), although this success looks less secure when the huge ratings for *Big Brother* in June and July are excluded. E4's multichannel share then drops to 0.5% (*Media Guardian*, January 14, 2002, p. 3).

Changes in the organisational culture of C4 are evident in a growing sense of division articulated by staff on the main channel between themselves and those running the new commercial services.

Organisational schizophrenia was further evident in the differing commitments of senior executives to the very idea of PSB. Jackson's speech on quitting C4 proposed that PSB is a redundant concept (Jackson 2001), while executives for the new services articulated a minimal commitment to PSB, conceiving of the populist Sky One and Channel 5 as their main competitors. In contrast, the Director of Programmes is an ardent and articulate proponent of PSB who contends that the main channel must retain a mixed orientation to justify its public service status (Gardam 2001). Jackson wrought changes to the main channel's programming in line with his philosophy, arguing that social changes have made minorities part of the mainstream, that Britain is now a cosmopolitan and tolerant society. In this view C4 is seen as a space for inclusion, expressiveness, provocation and experiment.[33] His analysis was passionately spoken by executives and had become a core C4 belief. Yet critics query the coherence of the main channel and whether it has become overly populist (Gow 2000; Brown 2001a).

'Innovation' is a term much used in C4. But this elides technological change (such as cross-platform development) with a judgement of qualitative and progressive invention in programming output. C4's new directions clearly add to the former; whether *Big Brother* achieves the latter seems unproven.

Ambiguities also exist in C4's attitude to its audience. Some executives stress the need to raise multichannel share. Others dismiss share and stress the need for key demographics, 16-34 year olds and ABC1s; certainly, C4 publicises its success in these lucrative markets. There is a tension between the focus on youth and upmarket audiences and the universality principle at the heart of PSB. For the most part universality is not considered an issue for C4; it is seen by executives as compromised by new media platforms and as necessarily balanced against commercial imperatives. Some mention defensively the main channel slots appealing to children's and older audiences; others stress that 'we target people *attitudinally* rather than demographically'. There appears little concern with minority provision, but the reigning philosophy argues that minorities have been absorbed into the mainstream. The tensions are plain between a PSB commitment to universality and minority provision, versus the commercial stress on lucrative demographics. A marketing executive admitted these tensions, adding that C4 needs now to work on 'how the whole population relates to Channel Four and.. what our role is in public service'.

The puzzle is whether C4 can straddle television's increasingly distinct two cultures: commercial populism, and public service commitment to range and distinctive, high quality output. Much turns on the new CEO, who in December 2001 was announced as Mark Thompson, formerly BBC Director of Television and the man responsible for the BBC's DTV strategies.

The BBC: Analysis and evaluation of the BBC's approach

This study is clearly limited by the fact that it addresses and evaluates only the strategic planning of the new DTV services. It is their actual execution that will, for both C4 and the BBC, validate or invalidate the strategic thinking. Yet given this limit, in several ways the BBC's strategies seem more astute than C4's. BBC thinking on the new digital channels shows a more subtle and strategically flexible conception of the audience and of changing consumer habits than C4's. The new BBC channels are seen as responding to viewing habits as they evolve; executives speak of the need to encourage digital take-up through quality offerings, but not to assume too much and get ahead of current realities.[34] The BBC says it is committed to three core elements of public service relatively lacking in C4 strategies: the provision of mixed genre channels of range and diversity; the challenge of universality and of serving a range of audiences, mass and minority; and the need to consider subtly the complementarity and synergies between services – essential to PSB in an era of convergence.[35] The BBC's rejection of a purely market failure rationale was powerfully vindicated by reports that Nickelodeon, a leading commercial supplier of children's channels, reacted to the new BBC's children's channels by significantly increasing both its commitment to original British production and the budgets for those productions.[36] Such benevolent competition portends rising quality in children's television. As the BBC argues, this example confirms that the result of its entry into established multichannel markets can be to raise standards in those markets.

Yet there remain problematic elements in the BBC's strategies. The new channels are said to 'embody a new set of contemporary, believable public service values';[37] but these are not specified and it is not clear that the new thinking is yet in place. Such thinking *is* apparent in the controller of BBC3's portrayal of his channel as intelligent but populist, edgy and reckless, and as

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33 Jackson's exemplars were the programmes *Queer as Folk, Ali G, So Graham Norton, This is Modern Art, Big Brother*, and the seven-day-a-week *Channel Four News* (Jackson 2000, Jackson 2001).

34 There is of course a tension between responding to audience tastes and innovating to drive digital take-up – as the controller of BBC4 acknowledged. BBC4 will, in effect, have a tiny audience to start with.

35 For arguments stressing the continuing importance for public service broadcasting in the digital age of mixed genre channels, the importance of universality and continuing attention to social minorities, and the need to address the complementarity of services as the media ecology becomes more complex, see Born and Prosser 2001.

36 Source: *Broadcast* 5 October 2001.

37 Quotation from document, *BBC Television in the Multichannel Environment: Strategy 2001-2004/5*, April 2001.

‘assuming multiculturalism’. But he admits that the tone of BBC3 will be in tension with the BBC’s dominant middle class values, and he wondered openly whether BBC3 can achieve this tone within the BBC, seeing it as a test of the BBC’s ability to update and diversify its own culture. The risk is insufficient commitment to reinventing the BBC’s values for contemporary conditions: perhaps the critical challenge facing the BBC. A telling dimension concerns the multiculturalism stressed by executives as central to the remit of both BBC3 and BBC4. When pressed, there is little answer on how this change in the BBC’s culture will be delivered. While greater representation of minorities in staffing the new channels and its suppliers must be a key factor in achieving greater diversity on screen, executives are inarticulate about how it can be achieved given the BBC’s poor record on the issue.[38]

Further problems concern the portfolio: there is a hint of incoherence in the complementarity planned between BBC1, BBC2 and BBC4. All three will serve older age groups, and all are in some way mixed genre. It is unclear how much they will overlap and what will be distinctive. Relatedly, for all the stress on mixed channels and the public repeal of the initial idea of reducing the mix on the main channels, the genre range of BBC1 and BBC2 is likely to narrow, as has already begun on BBC1 in recent years. As DTV develops, the plans leave room for further narrowing in the genre mix if the logic of segmented audiences gains ascendance and the BBC decides to follow suit. The BBC’s commitment to maintaining channels of range and diversity - that is, fully mixed, universal, culturally and socially integrating mass channels - will only then be tested. The DTV plans are structurally ambiguous and leave room to go either way in response to future developments.

There remains the question of BBC1’s functioning: how can it both compete for popularity with its increasingly populist commercial rivals, and yet resist pressures to drift downmarket with them? BBC3 will face identical pressures. A key issue is quality in the popular genres that have been problematic for the BBC since the 1990s - drama, entertainment, comedy and sit coms – when the difficulty of holding on to commissioning and production talent in these areas is greater then ever.[39]

[38] A similar problem exists for C4, the minority employment record of which was criticised by a C4 multicultural programming executive as being far less good than the channel’s image suggests.

[39] 2001 saw a relentless continuation of the BBC’s talent drain in popular genres: the head of Entertainment, Danielle Lux, left for C4; the head of Comedy, Geoffrey Perkins, for leading independent Tiger Aspect; drama commissioning head Tessa Ross, for C4; and entertainment executive Ruth Davies for an independent.

The BBC is currently buoyant: in late 2001 BBC1's audience share overtook ITV1's for the first time since competition began in 1955, and BBC1 and BBC2 remain strong.[40] Criticisms of the quality of BBC1, and of the legitimacy of the BBC's digital expansions on competition grounds, continue to be voiced. They will only lessen if and when the quality and distinctiveness of BBC1, the digital channels and the portfolio as a whole are proven in practice.[41]

Conclusions

Policy Implications

Overall

C4 and the BBC share many strategic concerns: enhanced branding, developing new talent, connecting with youth, the challenge of the EPG and new forms of viewing, cross-platform developments and complementarity of services. Nevertheless, the central finding of the study is how *different* the responses of the BBC and C4 have been to the digital challenge. The BBC's public funding and current financial stability have been central to its capacity to offer strong free-to-air PSB proposals, while C4's thinking is driven mainly by the need to find new revenue streams. Whereas the BBC seeks to raise standards and, by extending its markets, to maintain and deepen its universality, C4 seeks to boost its earnings and its choice demographics. Given the plateau in digital take-up, and consumer resistance to the pay element of DTV,[42] for public policy objectives to be attained the need to draw consumers by offering attractive free-to-air services is great. The BBC has taken the lead, and thus far C4 is playing no part in this process.[43]

Government has set the PSBs contradictory challenges: a) to *complement* the market by offering PSB added-value to existing platforms, a role in which they are cautioned not to take excessive risks; but also b) to *innovate* and drive take-up by risking *more* than commerce will, such as in iTV, where the BBC has borne costly research and development due the instability of middleware.[44]

Economic issues

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[40] In late 2001 BBC1 had an audience share of 26.8% against ITV's 26.7%. This caused commentators to worry whether Dyke's BBC1 might be *too* popular, and by implication moving downmarket and reneging on its 'higher' public service obligations (eg Brown 2001b; Doward 2002).

[41] On the foundations for an assessment of quality in programmes, channels and portfolio, see Born and Prosser 2001.

[42] A central finding of the Consumers' Association survey (Consumers' Association 2001a).

[43] ITV also has a free-to-air channel, ITV2, which secured carriage on Sky Digital, and therefore wide availability in multichannel homes, in December 2001. ITV claims that its audiences regularly trump both E4 and BBC Choice. It is a populist channel, and ITV may turn it into a subscription service (*Broadcast*, December 14 2001, p.20).

[44] Middleware is the term for the software interface between a platform (for example digital set-top boxes) and the iTV software, produced or commissioned by broadcasters, for interactive applications.

Mid-budget programming has been the mainstay of British terrestrial television; it is where most risk-taking and innovation has occured. But with increasing numbers of channels, routine risk-taking tends to decline as mid-budget programming is squeezed out and output polarises between the mass of low-budget digital output and occasional high-budget 'events' on the main channels. This fosters a risk-averse broadcast culture and, thus, declining quality. At present the BBC, with its far higher channel budgets, looks more likely than C4 to sustain mid-budget fare in its digital channels, with the potential to allow risk and innovation.

More generally, the uncertain economics of DTV (Curtis 2001) are compounded by two related problems facing the convergent media industry: that of deriving value from new media and online services (Elwes 2001), and that of measuring and realising the value embodied in brands (Barwise 2001). Some commentators question whether, whatever the wider economic climate, there is a viable economic model for convergence (Castells 2001). In this light only the BBC, buffered by public funding, can realistically create an ambitious public service new media offering, a situation evident in BBC Online flourishing while its commercial counterparts suffer cutbacks.

Platform and technology issues

Given BSkyB's platform dominance, and the potential for abuses due to its vertical integration, the industry and policy consensus is that there is a need for strong platform competitors. Between DCab and DTT, the latter is considered preferable since more likely to bring eventual universality, despite bandwidth limits. Hence the importance attached in 2001 to supporting the DTT supplier, ITV Digital, through escalating financial difficulties.[45] Hence also reports in the same year that the BBC, C4 and C5 might form a 'digital coalition' to save DTT (Milmo 2001b; Hargreaves 2001), and the BBC's efforts to foster a relatively inexpensive card or DTT box for free-to-air channels to tempt viewers to adopt digital. As late as November 2001, leading set-top box manufacturers criticised the lack of government promotion of the free-to-air potential of DTV (Gibson 2001).[46]

Technologically, lack of standardisation makes investment costly and complex for the industry, weighing against successful innovation. A good example is iTV, where different middleware systems were adopted in the early nineties for each platform. For iTV content developers, whether the BBC or commercial firms, interfacing with three evolving systems is expensive and creates a barrier to entry for would-be producers and competitors. It risks strangling the iTV market at birth (Colvin 2001). The question raised is whether government should play a role in

[45] This study could not address the vital question of the role of ITV, Britain's largest commercially-funded PSB, in Britain's media ecology and in maintaining PSB in the UK. In 2001 the question was urgent given ITV's revenue crisis following the advertising downturn and ITV Digital's financial difficulties (Teather 2001).

encouraging standardisation and interoperability, so as to liberate industry potential and mitigate technological monopolies – challenges that government has avoided.

Regulatory issues

In response to such criticisms, in December 2001 government published a revised Digital Action Plan for the transition to DTV.[47] But criticisms remain of the extent to which government is relying on co-operation between competitors to resolve problems and overcome barriers to transition, as well as its lack of clarity concerning what benefits should be delivered by the DTV policy, and how. One commentary on the DAP, by the Consumers' Association (2001b), stresses the need for government to play a role not only in adding value to DTV and ensuring that 'certain key benefits are available to all', but in clarifying 'the role of digital television in achieving other public policy objectives such as universal internet access'. Apart from coordinating stakeholders, government has so far abdicated from such a clarifying role. Effectively, a substantial part of the attainment of 'added value' has been delegated to the BBC. Yet the BBC, like C4 and ITV, is hampered by lack of regulatory attention to the wider competitive context.

For example, there remains little government direction on bringing about its goal that DTV should be the means for delivering universal, high quality internet access. Many factors militate against this, including the commercial platform providers' resistance to offering free access, their preference for commercial alliances, the expense of re-versioning websites and content for DTV and of negotiating a portal presence, and thus the high entry costs - factors that favour larger market players. BSkyB's DSat and Telewest's DCab services, about 80% of the market in 2001, offered only 'walled gardens': pay services with only limited commercial content (Sims 2001). In this light a huge shift is required to deliver the universal internet public service that government has repeatedly envisioned. The existence of a public, non-commercial portal in association with a PSB-controlled platform would provide a good basis for combating commercial limitations and improving universality.

Issues for public service broadcasting, its regulation, and Ofcom

In terms of the outlook for PSB, C4's strategic projection that pay services will become the norm in DTV must be questioned for its likely socially divisive results. This assumption works against government objectives regarding the need to mitigate the 'digital divide'.

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[46] See the Coda for recent developments in platform provision, specifically the relaunch of DTT and the BBC's move to an alternative to BSkyB's DSat platform.

[47] The Digital Action Plan is available at http://www.digitaltelevision.gov.uk/ministers_fwd.html.

Relatedly, this study critically highlights the laissez-faire relationship between C4 and its erstwhile regulator, the ITC. If C4 is founded primarily as a public corporation to deliver a variant of PSB, and if its increasingly commercial orientation has effects on the whole organisation, then it seems highly questionable for this development not to be subject to appropriate regulatory scrutiny. The problematic assumption seems to be that C4's commercial activities can have no detrimental effect on its PSB commitments. But even in purely economic terms this assumption cannot be sustained. The implications are that the ITC's, and in future Ofcom's, regulatory oversight of C4 should be reinvigorated, and should examine these issues and C4's commercial scope; and that C4's main public service channel might productively be ring-fenced from the predations of its commercial enterprises.[49]

In comparison, the BBC's search for free-to-air PSB solutions to enrich its offering and draw consumers to DTV, its technological efforts to develop a set-top box or card for free-to-air digital access, and its piloting of ambitious broadband schemes: these have been achieved under the BBC's current form of self-regulation and on the basis of public funding. This suggests the superiority of these foundations at present for the delivery of public policy objectives.[50]

In the debate about future regulation and the scope and nature of Ofcom, this in turn weighs against the suggestion of bringing the BBC under the remit of Ofcom. Ironically it is the BBC, whose regulation is often considered problematic, and whose DTV strategies have as a result been subject to detailed and continuing government scrutiny, that looks likely to introduce the more inventive and successful digital services. While C4, apparently well regulated by an independent body, has developed strategies that appear problematic both economically and culturally. In sum, the 'light touch' principle central to current media-regulatory thinking, as shown by the White Paper and the new Bill, has in practice in this important case failed the larger mission of C4.

A critical symptom of such failure is the bathos in C4's reduction of the concept of 'interactivity' in iTV primarily to voting in reality or entertainment shows (*Big Brother*, *Banzai*) and gambling (At The Races). Such a reduction is common in commercial DTV, where 'interactivity' refers primarily to tele-shopping. The BBC has its own mundane version: its first iTV applications, in summer 2001, enabled viewers of Wimbledon and the Open Golf Tournament to select coverage from several live cameras, as well as past scores and histories. However the BBC's capacity to

[49] In light of the need for investment, it seems appropriate that C4's commercial wing, 4Ventures, should seek outside financing rather than rely on cross-subsidy from the main channel. According to reports in late 2001, such outside investment had begun to be sought.

develop more ambitious pilots, such as the joint venture BBC Hull Interactive, suggests that the BBC's concept and practice of interactivity is more socially and culturally enhancing than C4's.

On the eve of the founding of Ofcom, intended to embody the principle of 'light touch' regulation, it is ironic that, according to the findings of this study, the BBC's plans must be judged superior in public service and policy terms, and in terms of strategic conception; while C4's digital extensions, developed under just such a 'light touch' regime, have an air of fevered pragmatism and risk. The regulatory regime that has held sway since the 1990 Act therefore seems insufficient to its stated policy tasks. Moreover, government has had an ambiguous role in the DTV developments. Its policies strongly encouraged the BBC's wholesale entry into the new markets, which has drawn aggressive responses from commercial players crying unfair competition, which in turn has drawn direct intervention by government towards the BBC. This circuit of effects shows the incoherence of policies that depend substantially on publicly-funded market interventions, which then lead government, under pressure of powerful commercial interests, to exert dangerously direct micro-managerial controls over the BBC. Government would do well to appraise disinterestedly the important lessons of this situation in a dynamic new economic sector.

A recent policy article in a leading newspaper, claiming to represent current opinion on the BBC's future role, concluded: 'Public broadcasters are no longer simply broadcasting. With new services, such as online and new digital channels, consumer control and choice render the traditional justifications for public provision still more problematic'.[51] Yet on the facing page, a well-known media analyst gave an account of the BBC's role in forging both infrastructure and markets for digital radio, and one that applies equally well to its role in DTV: 'The private sector has benefited from the aggressive support for digital evinced by the BBC. Within the next year or two, the BBC will be financing the erection of enough additional transmitter masts to get to 85 per cent of the country'.[52] Incoherence, then, also marks policy and industry debates on PSB and digital markets.

Coda: March 2003

In the period since this paper was originally written several major developments have occurred that merit brief mention, and that tend to confirm the analysis given. In terms of audience trends,

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[50] It could of course be argued that the BBC is responding, albeit in an innovative way, to challenges emerging primarily from the private sector, ie multichannel and digital television.

[51] D. Tambini and J. Cowling, 'BBC debate stuck in first gear', *Financial Times*, *Creative Business* section, 11 March 2003, p. 4. Notably, this article represents the thinking of the influential new Labour think-tank, the IPPR.

[52] M. Horsman, 'A stronger signal', *Financial Times*, *Creative Business* section, 11 March 2003, p. 5.

consumer resistance to DTV continues to be substantial. During 2002, according to an ITC/BSC consumer survey, take-up of multichannel television slowed significantly, with 40% of households receiving DTV, about the same as in mid 2001. Pay-per-view film viewing on DTV was up, while use of interactive services was slightly down. Of those without multichannel television, 72% were not interested in aquiring it (Towler 2003).

In March 2002 ITV's DTT platform, ITV Digital, went into receivership as a result of chronic financial difficulties. This left government with a difficult situation, since DTT had been envisaged as the platform most suited to eventual universality and as a necessary competitor to BSkyB's DSat service. Following a competitive tender, the licence to relaunch DTT was awarded in July 2002 to Freeview, a partnership between the BBC, Crown Castle UK and BSkyB devoted to offering a free-to-air package of channels on the basis of an affordable one-off investment in a digital adapter. The BBC thereby extended its activities into platform provision, enhancing further its contribution to the delivery of public policy objectives through its free-to-air DTV package. It is a matter of concern that it has had to do so in partnership with Sky, already an overwhelmingly dominant presence. Yet the BBC's independence from Sky, and its principled commitment to universality and to providing *non*-pay DTV services, was asserted when, in March 2003, it withdrew its digital channels from Sky's DSat pay platform, set to cost the BBC £85m over the next 5 years. Instead the BBC channels will in future be available free-to-air via the Astra 2D satellite. With this move, the BBC has again significantly increased consumer choice by spearheading what has the potential to become a popular public service option: a free-to-air DSat service, combining the technical advantages of satellite with universality, to rival Sky's services.[53]

Since coming into office in spring 2002, Mark Thompson, the new CEO of C4, has augmented the programming budget by 4% and has announced his commitment to revivifying C4's original and distinctive PSB remit, restoring 'diversity' to the channel's core values. Faced by C4's worst financial results in a decade, Thompson restructured, cut back some ailing new services and shed 200 jobs. But in order to cover mounting debts he also made cuts to defining, innovative elements of C4, notably its independent film production outfit.[54] It remains to be seen how the main channel will change in order better to reflect its PSB values and reinvigorate its programming.

Further issues surround the functions of Ofcom, due to begin operations at the end of 2003. Ofcom was originally modeled on the 'light touch', mainly competition-oriented regulators Oftel

[53] *Broadcast* 14 March 2003, p. 1; 'BBC breaks free from Sky', E. Bell, *Media Guardian*, 17 March 2003, p. 3; interview with Greg Dyke, *Broadcast* 21 March 2003, pp. 12-14.
[54] *Broadcast* 28 February 2003, pp. 14-15.

and the ITC, which it succeeds. But during the passage of the new Communications Bill, in response to public concerns over the proposed liberalization of cross- and foreign-ownership rules, government and the Ofcom chairman have increasingly emphasised the need for Ofcom to exercise strenuous content controls; it will have a separate content board to focus attention on content issues, and the Bill includes a specification of public service requirements largely derived from the BBC Agreement. However, there is to be use of co-regulation between regulator and the broadcasters themselves in assessing the extent to which the PSB remit has been met, and it appears likely that extensive liberalisation of ownership will remain in the Bill as enacted. As yet the means of strenuous content regulation have not been spelled out in sufficient detail, and the incoming regulatory regime therefore appears contradictory and unresolved.

Implications for Economic Sociology

This study has several lessons for economic sociology. First, it has implications for understanding the conditions of technological and cultural innovation. Analysis of the socio-economics of technical innovation highlights the tendency of private capital, particularly in conditions of risk and uncertainty such as those that characterise the contemporary media economy, to underinvest in innovative research (Stoneman 1987). Such analysis lends support to the view, which I have developed elsewhere, that public institutions can play a key role in developing innovative forms of cultural production (Born 1993), and this study points to the BBC's critical role in current innovations in DTV. Executives from both C4 and BBCi argued that, given widespread industry nerves compounded by fear of recession, it is the PSBs such as C4 and the BBC whose appropriate role is risk-taking and testing out new propositions in broadband and interactive technologies rather than purely commercial operators. In several ways, then, the findings of this study contest the view, common in contemporary public policy, that innovation is likely to arise primarily in the private sector through entrepreneurial networks (eg Leadbetter 1999).

Relatedly, an approach favoured in public policy (Mulgan 1998) and sociology (Castells 1996) portrays an almost teleological movement towards distributed and networked forms of organisation in innovative sectors of the economy. The findings in this study contest this assumption, highlighting the continuing importance of publicly funded, large and integrated forms of organisation such as the BBC in innovation, as opposed to the more distributed model of C4.

More generally the study contributes to the various theoretical strands that converge on the centrality of expert discourses in the constitution of contemporary social and economic life. On the one hand Beck's analysis of reflexive modernization lays stress on the role of expert discourses, the struggle for discursive primacy and the place of discourse coalitions in responding to conditions of chronic uncertainty and risk (Beck 1992, 1999; Beck, Giddens and Lash 1994). On the other hand, recent theoretical work in sociology (Callon 1998a, Barry and Slater 2002) and anthropology (Carrier and Miller 1998) probes the role of economic expertise in framing and constructing markets. The 'cultural turn' in economic sociology has similarly stressed the 'representational and discursive constitution of economic life' and the 'increasing centrality of marketing.. in the management of economic institutions and processes' (Slater and Tonkiss 2001: 175; see also Lash and Urry 1994, Du Gay and Pryke 2002). In such accounts economic and other forms of expertise are considered not in terms of their truth or falsity, but in terms of their *performativity* and *effects*: how they fold into and condition social and economic processes. Despite such suggestive theoretical work, empirical studies of the performative role of expertise have remained underdeveloped. This study offers one such case study.

When analyzing the new economy, Castells and Beck employ realist concepts of uncertainty: large-scale structural processes are seen to be in train which experts play a role in managing. This study, by contrast, highlights the way expertise plays a role not so much in managing, but rather in *interpreting* current realities and on that basis *projecting* and constructing new markets, future economic and technological trends. This is an approach indebted to Callon, which lays stress on the power of expert discourses to bring about the conceptions they promote, thereby yielding an enhanced realism for social theory. Callon (1998b) and Cochoy (1998) coin the term 'performation' for this capacity of the economic sciences and specifically of marketing.[56]

The case of digital television exemplifies the contemporary importance of marketing and related forms of expertise. The research traces how both C4 and BBC have determined their DTV strategies through processes of market analysis and market research, interpretation of that research and, on that basis, projections of future markets, economic and technological strategies. At C4 the strategic discourse is predicated on a network of bold, mutually-reinforcing projections, about which there is a remarkable unanimity among executives, strategists and marketers. There are four basic kinds of projection. They are, first, the business models for the commercial services which predict future market structures and earnings, the accuracy of which seem in question. Second, projections of changing audience expectations, habits and tastes, prominent among them that pay TV and niche channels are becoming both acceptable and the norm, and that young people can only be reached via entertainment programming. Third, projections of wider

[56] The term is drawn from the linguist Austin's notion of 'performative utterance', an utterance that says and does what it says simultaneously. By extrapolation 'performation' refers to those discourses that simultaneously describe and construct their subject matter. Marketing's 'performation' of the economy thus refers to marketing's double capacity to *conceptualise* and to *enact* the economy at the same time (Cochoy 1998: 218).

social and cultural changes, including the conviction that the concept of minorities is no longer socially meaningful, and that the values of PSB have declining salience for British society (Jackson 2000, 2001). And finally the projection that commercialism and innovation in media services are, or can be, synonymous. Clearly, this constellation of projections is teleological, forecasting precisely the conditions which justify C4's desired strategic direction. The market projections are folded into institutional strategies; they become the basis for the PSBs' broadcasting and new media practices, and from this they emanate out to condition larger economic, social and cultural processes.

The study also highlights, through the case of digital television, the diverse rhetorical underpinnings of constructions of the economic future. Three modes of projection can be discerned in the broadcasters' strategic rationales: those that are primarily normative or principled in orientation, those that are primarily realist or pragmatic, and those that are primarily reactive or defensive. They may be combined, and switching can occur between them. C4's proposition for E4, for instance, combines normative, realist and defensive projections: that E4 augments the space for innovation; that it is a pragmatic response to the rise of pay-TV and the need to exploit pay-TV rights; and that it is a necessary defence against rivals' predatory moves into C4 branding and programming territories, and against the erosion of young people's identification with PSB. The gulf between C4's and the BBC's constructions of the market, and so their projections of the future, confirms the importance of marketing and market research for the PSBs in processing chronic uncertainty. But it indicates also the powerful influence of their contrasting funding, philosophies and regulation on their different projections.

Slater (2002) stresses rightly how all strategic market thinking integrates two dimensions: a calculation of changing consumption relations, focused on a consideration of new product definitions, and a calculation of changing competitive relations. The two are inextricably linked: 'Cultural relations are not a backdrop.. behind rational economic action… They are redefined and conceptualized *within* an instrumentally rational attempt to characterize optimal market positions' (63). Slater hints here at the speculative nature of the reconceptualisation of consumption relations that may occur in the face of perceived failing markets. But this study confirms how, in the attempt to revitalize a business strategy, new consumption relations that have not yet come into being may be projected opportunistically and on the basis of only tenuous evidence. C4's base assumption that pay TV will become the consumption norm in Britain is a highly contentious one, and it is not being assumed by the BBC. But it is one that, nonetheless, C4 strategists and marketers presented as self-evident. C4's projection represents, in other words, a *will to redefine consumption*; the projection reframes consumption relations and is likely over time to influence them considerably. Similarly, Slater mentions but perhaps underplays the dynamic, future-oriented functions of such marketing techniques, evident in a relentless drive to differentiate and extend existing markets.

By becoming the basis for institutional strategies, the projections condition the markets in which the PSBs operate, altering the relative positioning of competitors, restructuring the broadcasting field, delimiting the alternatives available to media audiences, opening up some possibilities and closing down others. There is, of course, nothing inevitable about the dominance of pay TV anticipated by C4, apart from the interested discursive coalition – including neo-liberally-inclined governments and powerful media players wielding substantial political influence - intent on persuading the European public that it is inevitable. The more this discursive coalition proclaims and enacts that pay TV is the norm, the more likely this is to become the case. And through projections the strategies adopted are legitimised by a short cut that apparently forecloses the unpredictable full circuit of production and consumption.

The differences in market projections matter; they profoundly influence outcomes. C4's framing of the challenge of DTV is radically different from the BBC's. Where the BBC's DTV projections, supported by increased government funding, take in social and cultural utility, universality and particular minority needs, C4's frame has given priority to financial stability and commercial entrepreneurialism. Of the two, it is C4's discourse that forms part of the currently hegemonic discursive coalition in Britain, predicated on the view that there is now little need for anything 'outside' commercial broadcasting: an astonishingly bold attempt to reframe (Callon 1998b) the British - and, given Britain's symbolic importance, the European - broadcasting field. The analysis presented here indicates the influence of C4's commercial funding and weak regulation on the character of its projections, and how such projections have been paralleled by the mutation and fragmentation of C4's philosophy and organisation.

To the insights of Callon, Cochoy and Slater on the reframing and redefinition of markets by the marketing sciences and their role in formatting the economy, this study adds a temporal dimension: an account of the dynamic, speculative and future-oriented nature of these processes, and the central place in them of projections. Social theorists of time have highlighted the co-construction of, and interrelations between, past, present and future, and the role of reflexive knowledge in producing the future. Latour (1999: 171) writes of the 'sedimentary succession of time' in analysing the interrelated constructions of past and present. This is an analysis that should be extended, I suggest, to include present constructions of the future and their *projective* sedimentary effects. Adam (1996) stresses discursive effectivity when writing of the need to embrace reflexively sociology's performative role in social and ethical life. Only rarely, however, has sociology attended to the forceful role of futurist projections in constructing industrial and economic temporality (eg Brown et al 2000) and the systematic means by which industrial actors attempt to control the economic future. The motivated futurist projections of institutions like the BBC and C4 in leading economic sectors such as the convergent media and IT industries have significant power to influence future realities, as the results of past projections are cumulatively laid down and sedimented, becoming the basis for further projections. Binde (2000), analysing the role of forecasting, argues for an ‘ethics of the future’ based on an awareness of the way that discourses that emerge ascendant from the struggle for discursive primacy bear responsibility for delimiting the future. Less ethereally, it behoves the regulatory regime entrusted by government with the public interest to ensure that changing economic conditions and the short-term interests of vulnerable institutions do not have the effect of rewriting the founding principles of Britain’s public media culture.

Appendix: List of Interviews

Tape	Transcript File	Interviewee	Job
1AB2A	Dig1-2GO1.doc	Giles Oakley	Ex-BBC Head of Community Programme Unit
3A	Dig3JS1.doc	Jane Scott	BBC, Head of TV Strategy
3AB4A	Dig3-4RH1.doc	Richard Halton	BBC1 and BBC Choice/3, Strategy Manager
4AB	Dig4MS1.doc	Michael Starks	BBC, Director Free-to-view Project
5AB	Dig5AM1.doc	Adam Macdonald	BBC, Head of Scheduling, BBC1 and prev. BBC2
6AB	Dig6JN1.doc	John Newbigin	C4, Head of Corporate Relations
7AB8A	Dig7-8JO1.doc	Jeremy Olivier	BBC, Head of Strategy, BBC New Media
9AB	Dig9RD1.doc	Richard Deverell	BBC, Head of New Media, BBC News
10AB	Dig10AP1.doc	Adam Pearce	Ex-BBC, Strategy Manager, New Channels
11AB	Dig11JT1.doc	Jonathan Thompson (1)	C4, Deputy Head of Strategy
12AB	Dig12AA1.doc	Azeem Azhar	Ex-BBC, Deputy Head of BBC Online
13AB	Dig13SG1.doc	Scott Gronmark (1)	BBC, Head of Interactive TV, BBC New Media
14AB	Dig14AA1.doc	Andy Anson	C4 Head of Strategy, Pay Channels & Interactive TV
15AB	Dig15GB1.doc	Gerry Bastable	C4, Head of E4 and FilmFour
16AB	Dig16CG1.doc	Claire Grimmond	C4, Head of Market Planning
17AB	Dig17VM1.doc	Val Murray	BBC2 and BBC Knowledge/4, Strategy Manager
18AB	Dig18DN1.doc	Dominic Neil-Dwyer	BBC Sports and New Media, Strategy Manager
19AB	Dig19SS1.doc	Simon Stacey	BBC Drama/Entertainment/Childrens, Strat. Manager
20AB	Dig20DB1.doc	Dan Brooke	C4, E4 and FilmFour, Strategy Manager
21AB	Dig21SG2.doc	Scott Gronmark (2)	BBC, Head of Interactive TV, BBC New Media
22AB	Dig22YA1.doc	Yasmin Anwar	C4, Comm. Editor, Multicultural Programmes
23AB	Dig23JT2.doc	Jonathan Thompson (2)	C4, Deputy Head of Strategy
24AB	Dig24SM1.doc	Stuart Murphy	BBC, Controller BBC Choice/3
25AB	Dig25ML1.doc	Matthew Lee	BBC Scotland, Head of Strategy
26AB	Dig26JA1.doc	Julie Adair	BBC Scotland, Executive Editor, New Media
27AB	Dig27KM1.doc	Ken McQuarrie	BBC Scotland, Head of Programmes
28AB	Dig28CC1.doc	Colin Cameron	BBC Scotland, Head of Network Programmes
29AB	Dig29RK1.doc	Roly Keating	BBC, Controller Knowledge/4, Headd of Arts Progs.

30AB	Dig30AB1.doc	Alison Button	BBC Knowledge/4, Head of Audience Research
31AB	Dig31AT1.doc	Andy Townend	BBC, Head of TV and Radio Distribution
32AB	Dig32KB1.doc	Karen Brown	C4, Head 4 Learning, Deputy Director of Programmes
33AB	Dig33CM1.doc	Chris Mundy	BBC, Controller of Audience Research
34AB	Dig34LA1.doc	Lucca Antille	BBC Choice/3 and Radio 1, Head of Audience Research
35AB	Dig35SS1.doc	Samir Shah	Managing Director, Juniper Prods. (independent producer)
36AB	Dig36AM1.doc	Angie Mason	BBC Education, Executive Producer
37A	Dig37RA1.doc	Robert Albury	BBC Education, producer
38AB	Dig38PD1.doc	Peter Dale	C4, Commissioning Editor, Documentaries / Factual
39AB	Dig39GC1.doc	Greg Childs	BBC Head of Future TV, Children's Channels

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