

feature:

Back to basics

While Network Video is bullish about the rental prospects for 2006, Managing Director Keran Wicks says it's vital that the rental channel as a whole is better promoted.



It used to be said that rental was recession-proof; in fact, in many cases an economic downturn was actually good news for stores, as customers sought the cheapest possible entertainment options. According to Network Video Managing Director Keran Wicks, those days are well and truly over – but in one sense it's a wake-up call the business needed.

"Rental now has to realise that we are part of the retail economy in Australia and the days we could exclude ourselves from that are gone," she explains from her Melbourne office. "In 2005, the whole Australian economy was down – the property market was down and retail sales were down, and we're not immune from that anymore. That said, I think we are tracking fairly well compared to how retail is going, so I think we need to get away from the 'sky is falling' attitude, it's just not the case."

Certainly, the independent buying and marketing group enters the New Year in a strong position. With the country's two leading franchise groups beset by massive internal change, Network has been quietly bolstering store numbers and the focus this year is very much on the nuts and bolts of the traditional rental business.

Wicks acknowledges that 2005 was a challenging year and in 2006 the rental sector will have to fight even harder for its share of the home entertainment dollar. However, she doesn't believe that there is anything fundamentally wrong with the rental model – as long as the public can be reminded that hiring films from their local store still offers one of the best value entertainment options around.

"If we are not marketing, we are dying," Wicks states bluntly. "Rental stores have to realise that we can't sit back and wait for customers to decide to rent a movie, we need to be actively promoting our business. For years we have been able to benefit from what other channels were doing. Now we have to step back up to the plate and do some marketing of our own. That applies to both stores

and the industry as a whole, because there really aren't any rental messages out there."

According to Wicks, consumers are continually being urged to buy DVD, rent over the internet or order a Pay Per View movie, but they are not being told to go to their local store to rent a film. "People always say we are a product-driven business and to a large extent that is true but we certainly need to promote the activity and that it is an activity that is enjoyable."

In the meantime, Network Video will be very active in getting its own brand message out there this year. Although details are still under wraps, Wicks says the group is looking at a major above the line push in the first quarter of the year, which will feature a new-look message.

However, Molly Meldrum will remain one of the distinctive faces of Network. "Last year we focused a lot on in-store and consumer marketing," she says. "We will be doing a big above the line campaign next year and Molly will be in it, although he won't be the driver for the campaign. There will be a new message which will be generic one. We looked at going in summer but it's the old debate about whether it's best to go when business is very busy or during a quieter period when you can really get an accurate fix on how the campaign has worked. But we will be looking at doing something substantial in the first quarter and I think the industry will find it as innovative as our Molly campaign."

Elsewhere, the focus at Network is very much on the basics of the rental business. In the past years, subscription models and innovations such as two-night rentals have been very much the rage and Network has trialed a number of these new concepts. However, Wicks believes that the average customer is still more than happy to rent in the old-fashioned way, he or she is staying in for the evening, there is nothing on television and they just want to be able to go to their local store and pick up two hours of entertainment.

And film rental will remain the core business for Network. Wicks says retail continues to work for some members, but she sees little point in going head to head with the mass merchants. "We would much rather focus on new release rentals and cash in on the impulse sales on catalogue," she says. "Our retail business is growing and is really healthy but we will never be competing with the Big W."

Similarly, games are never likely to be more than an incremental business for most Network stores. Wicks says the switch in focus from many games companies to online gaming was cutting rental stores out of equation. Although the arrival of some new platforms in 2006 may help revitalise this sector of the market, she believes it is a declining business as far as rental is concerned.

Overall, though, Wicks says the group is in excellent health. Although Network maintains that it is not in the numbers game, the turmoil in the franchise sector has prompted an influx of new members. "A number of these people are excited about the change and have been re-motivated because they are no longer being told exactly what they can and can't do," she continues. "But we are selective. We are looking for retailers who want to be active in their business, stores which are keen to work with their local communities and are open to new ideas."

Another plus for Network – and the rental trade as a whole – is that the product for the first half of the year also looks exceptionally strong. However, Wicks cautions that these days it may not be quite enough. "The big question is what we are going to do to promote it?"

