

NETWORK CELEBRATES TWO DECADES OF BUSINESS

As the Network Buying Group turns 20, *Screen Print* talks to Managing Director Keran Wicks to hear how she grew a humble Melbourne store into a rental industry empire, and what she views as the key differences in the business today.

What was the first stage of Network's launch two decades ago, and how did you build up to that?

There really was no build up. At that time I owned a video store in Kew (my opposition was a franchise store), my store was bigger, turning over more money, buying more movies (VHS and Beta in those days) yet paying more for product because I didn't have a shingle out the front. I couldn't see the value in paying a franchise business to tell me what I already knew, and wanted to remain independent and in control of my business. Additionally, I didn't believe then (as I don't believe now) that brand alone drives the rental business. I thought there had to be a different, better option to a 1 inch thick contract and obligatory colour schemes, so I decided to start a group. The very next month I did just that, and Network was born.

How quickly did the business grow initially, and what drove that growth?

We launched with 12 member stores in October 1993; within 3 months we had 30 members (and our first member of staff - who is still with us today), and

within 1 year there were 100 Network members (and a staff of 5). Now we have over 300 fantastic members and that number continues to grow as more and more rental retailers across Australia (and now New Zealand) join us. Now more than ever, retailers need a clear vision for the future to make sure they remain a part of it.

Which highlight from this time do you recall most vividly?

The past 20 years has gone so fast and we have had so many highs, but if I have to pick one it would be one that cut across the whole rental channel, and not just the Network business - the Warner case. The AVRA board worked tirelessly on ensuring that two tier pricing didn't enter the Australian marketplace.

What would you have done differently at any of these times given the benefit of hindsight?

I would have learnt to play golf. In the early days when it was much more of a boys' club than it is now, being able to play golf would have made a few things easier.



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**Keran Wicks,
Network Video
Managing Director**

How differently did your stores operate back then?

There is a huge difference; frankly, 20 years ago you didn't need to be much of a business person to run a video store. In fact the rental business, like most boom businesses, made a good number of idiots millionaires. Having said that, to be able to stay in the business over the past five years, the retailers that are still here have proven to be true business people - working on the business, not necessarily in the business. Good retailers have looked at the challenges and found ways to work towards solutions to drive the business. Of course they also needed to be with a group that has a vision that doesn't see the closing of bricks & mortar stores or adaptation of machines in place of faces, as the future of rental. Now the business is truly mature, we are seeing most of our retailers rise to the challenges these times present.

What do you think are the industry low and high points over the past two decades?

The VIPA campaign that saw distributors and retailers jointly fund a rental advertising campaign was a high - it saw approx \$6



million a year spent advertising the rental business. This led to the campaign that ran to combat the impact of the Sydney Olympics on the rental channel. It was the most successful campaign the world had seen and where other territories were severely impacted by the Olympics, the Australian rental channel held up and didn't suffer as all other territories had.

Also, the launch of DVD and the transitional boost the rental channel experienced off the back of the increased marketing conducted by distributors driving the new format. Having said that, it is a great pity that this also led to the advertising of movies being about format and price rather than about product (which has pretty much remained since). The other point on the transition to DVD is that, in the main, trawling on product was lost and I believe this had an impact we are still seeing today with consumers having far less product awareness.

Winning the Warner case was a huge coup for AVRA. The co-ordination of and

preparation for the case by AVRA was massive, and it was disappointing to see the two largest groups at the time sitting on the sidelines.

The on-going tragedy of mass retailers using movies to drive foot traffic to sell jocks & socks (or milk & bread) and the on-going devaluation of movies in the eyes of the consumers. It's just not okay for our best, most high profile products to be so undervalued and prostituted as they are allowed to be.

There seems to have been a shift towards buying groups over the past three to four years, does this reflect a different industry dynamic?

No, I don't think it reflects a change in the business. Given Network has seen on-going and continual growth for 20 years now, there has always been demand for our style of buying & marketing group. There seems to be a shift simply because a lot of franchise contracts have fallen due over the past few years and, as has

always been the case, many choose to 'opt out of franchise'. Why would a smart retailer commit to a franchise contract when you can get the same, in fact, better benefits from being a member of Network?

How difficult has it been for rental, transitioning from essentially being the client for distributors, to being a competitor in what's becoming a fairly complex content marketplace?

When DVD launched and it became a retail item, a number of suppliers thought that rental would wither and consumer demand would be satisfied by sales. Clearly this was a little misguided but for a while, it was a difficult time to work through with those suppliers. Thirteen years on, rental still accounts for over 65 per cent of all home entertainment transactions. Most distributors recognize that rental remains an important part of their business and we continue to work closely with all distributors driving rental.