

OUR MISSION

To develop, promote and represent the video industry. To provide effective service, support and direction for our members.

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Friday 18th October 2002

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MEMBER UPDATE WARNER BROS

UPDATE TO MEMBERS

The AVRA Board is very pleased to be able to report to its members that the dispute with Warner Home Video over two-tier DVD pricing has been successfully concluded.

AVRA and the groups (Civic, Network, Top Leading Edge, Family Videoland, Video 2000 and Movies Plus) who joined in with raising a legal challenge to Warner's most recent attempt to implement a two-tier scheme have negotiated a settlement with Warner on terms that the Board considers very satisfactory.

As you know, this dispute started in May 2001 when Warner first introduced new trading terms that included a two-tier pricing scheme for DVD. AVRA challenged those trading terms because Warner attempted to rely on the Copyright Act to support the restrictions it was placing on the rental of "retail only" DVDs. We won that fight in the Federal Court.

Warner then, in February this year, tried to reintroduce the same two-tier scheme but relying on contract law instead of copyright to make it enforceable. We challenged that attempt as well, with further Federal Court proceedings. Warner then withdrew its February terms and reissued terms in May, which removed some of the restrictions but did not fundamentally change the two-tier scheme. We amended our claim to challenge the May terms as well. Our case against Warner was that what it was doing was illegal under the Trade Practices Act.

The settlement with Warner means that the Federal Court case will be discontinued by us and Warner has agreed to pay almost all of our legal costs (Warner was also ordered to pay our costs in the court case last year).

The main points of the settlement are as follows.

- Warner has given a binding undertaking that it will withdraw its February and May terms and not try to enforce them against anyone. It will issue new terms in the next couple of weeks that will not include any two-tier pricing conditions.
- Warner has also undertaken that it will not, before 31 December 2003, make any further attempt to implement a two-tier pricing system for DVDs. It will also not put any more "NOT FOR RENTAL" labels on its DVDs.

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- It has been further agreed:
 - (a) that Warner can't charge different prices for the same DVD until at least eight weeks after the initial release date and
 - (b) if laws within the Copyright Act are changed to give film owners new rights (this is very unlikely to occur).
- After 31 December 2003, if Warner wants to try to implement two-tier pricing again, it must, 120 days before taking any action, provide AVRA with notice of its intention, including copies of its proposed trading terms and any label it proposes placing on its DVDs (such as the "NOT FOR RENTAL" labels it has been using). This requirement applies for the next six years.
- AVRA and the other applicants in the court action have given Warner a release from any further liability in respect of the February and May trading terms, provided that Warner complies with its undertaking not to reintroduce two-tier pricing before the end of 2003.
- If Warner does have another go at introducing two-tier pricing, nothing in the settlement will prevent AVRA (or anyone else) from raising a fresh legal challenge against it.
- As noted previously, Warner is paying almost all of AVRA's and the other applicants' legal costs connected with the proceedings.
- The undertakings given by Warner have been made without admissions.
- The terms of the deed of settlement with Warner are confidential (however we are allowed to disclose the information above to AVRA members).
- You should not make any public statements about this settlement,

including any statements to the media. If you are contacted by the media, please refer them to our vice-president Keran Wicks or the AVRA office 02-9960-0046. A joint media release by AVRA and Warner regarding the settlement has been issued.

The Board feels that this is a sensible commercial settlement to the benefit of AVRA's members. We have succeeded in our aims in that Warner has withdrawn its two-tier terms and given AVRA undertakings that there will be no attempt to introduce two-tier pricing again until at least the end of the settlement deed. We will receive adequate notice if they decide to try it again in the future. Should this be the case AVRA will have no hesitation in re-commencing legal action if appropriate.

The Board believes that this chain of events and challenge to policy detrimental to the growth and protection of the rental industry emphasises the importance of a strong retailer association. AVRA has clearly shown it is prepared to stand up and argue in its members' collective interests and take up a fight if necessary, to achieve its members' aims. The entire industry now knows AVRA is such an association.

The AVRA board would like to take this opportunity to thank AVRA members for their support in this "David and Goliath" battle. AVRA also thank the many non-AVRA members who supported AVRA throughout this action and those who anonymously contributed to the legal funding.

It can certainly be said that less than half of the industry took up a fight that ultimately benefited all. You should all be proud that you are a part of those that had the courage to take up this battle.

MEMBERSHIP FEES

The Board of Directors of AVRA at the Board meeting 16th May 2002 confirmed that membership fees for stores would remain at last years rate. The membership year is from 1st July to 30th June and the Board expects the continued growth in membership numbers will provide the Association with a solid representation on all matters within the Video Industry.

The most recent membership benefit negotiated for members is a free subscription to the new industry magazine *Entertainment Insider*, so if you have not already taken advantage of this special offer contact the AVRA office to register your store details. This offer only applies to AVRA members.

AVRA is the only member association in the Video Industry, so get with the strength, join now. For details phone Ross Walden on (02) 9960 0046.

MEMBERSHIP 2002

Membership renewal notices have been distributed to all members. The membership year commenced July 1, 2002 and expires June 30, 2003.

We ask that you all continue to encourage other retailers to be a part of AVRA. The fees you pay to AVRA enable your interests to be both represented and protected where necessary.

AVRA WELCOMES NEW MEMBERS

The AVRA Board and its members would like to extend a warm welcome to two of our latest members

Therese and Garry Reed Video Barn, Lemon Tree Passage NSW and

Shane Finche Heaven in the Clouds DVD, Altona VIC.

Garry and his wife have been in the video industry for six years trading as an independent retail store and decided to join AVRA as Garry says "because AVRA took a stand against Warner".

Shane is new to the industry setting up his store purely for the DVD market at the start of the year. Shane believes the market for DVD has only just scratched the surface and is looking for the business to continue its upwards growth pattern.

STAFF MOVEMENTS IN THE INDUSTRY

Stephen Nickerson has been appointed as the new Managing Director of Warner Home Entertainment for Australia and New Zealand, replacing Marc Gareton. Stephen was most recently Vice President US Sales and comes to the position with a great depth of knowledge and experience in DVD sales. AVRA and its members welcome Stephen and wish him well in his new position.

Ray Robinson, the National Sales Director Warner Roadshow Home Entertainment, will be leaving his position come 31st July 2002. Ray has been associated with the video industry for some 13 years now, firstly establishing 21st Century Pictures and for the last two and half years with Warner Roadshow. Ray is leaving to join his wife and expand and develop

their consultancy business. We all wish him well in his endeavours.

Belinda Rowe, the National Sales Rental Manager Warner Roadshow, has after some 17 years with both Warner and Roadshow decided to further her career with Paramount as the Major Account Manager Rental. Belinda is well known to all retailers in the industry, and AVRA wishes her well in the new position.

Mark Herra has left the AV Channel after six years plus with the Melbourne based distributor. Mark was originally working with Siren Entertainment and joined the AV Channel in February 2001 when it was established. Mark won the Independent Sales Executive Awards at the AVRA Excellence Awards for the second time running last year and is very popular with all the AVRA members.

AVRA EXCELLENCE AWARDS – FRIDAY 18TH OCTOBER 2002

Proudly Sponsored by The ZenithPac Rental/Retail (Yellow Lock) Security System

Yes it's on again this year, make a note in your dairies now, Friday 18th October. By popular demand the AVRA awards night is back in the Star City Ballroom. The night promises to be bigger, better and more glamorous. The night will be your chance to mix with the "who's who in the video world" – all the important people will be there.

The AVRA awards are the most prestigious awards in the Video industry both retail and distributor. Entries forms have been mailed to all members but if you have miss placed it or it did not arrive simply call the AVRA office and talk with Ross Walden. Remember entries close Monday 2nd

AVRA Office Relocates

After some three years at Leichhardt the AVRA office has now moved to new premises located at Mosman. The new offices offer the latest office technology and improved communications with members will be a major benefit. The availability of a Board Room within the premises is an added bonus for conducting Board Meetings.

Please note the new details:
Level 1, 3 Brady St
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Spit Junction 2088 NSW
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Email info@avra.com.au

September 2002 so do not delay get your entry in now.

Make sure you also do not forget to vote for your favourite Distributor and most popular Sales Executive by faxing back your vote to the office (02) 9960 0041 before Monday 2nd September 2002

Do not miss your chance to become a winner and enjoy that rewarding moment on the stage.

Retail Award categories

State Metro and Country
National Retailer
Marketing Awards Group and Store

Distributor Award categories

National Major Distributor and
Independent Distributor

National Sales Executive Major and Independent and Distributor Marketing awards.

Take advantage of 10% discount offered on ticket purchases by paying for your tickets when you send your entry in. Book your table of ten now – first in, best tables – bring your staff and friends, it will be an evening you will never forget.

Special accommodation packages have been negotiated with Star City to take advantage of these special deals simply call Garth Taylor, the event co-ordinator, on (03) 9840 6565 or 0419 357 433.

LETTER TO ACCC

The Association has written to the ACCC pointing out the problems consumers (therefore retailers) are having playing certain DVDs on what would be classified as inferior imported DVD players. There appears to be no common standard specifications for a DVD player and customers are more frequently finding that their DVD player will not play the latest DVDs.

This lack of consumer knowledge then becomes a problem as customers complain at your store.

LETTER TO ROADSHOW

On behalf of its members the Association has written to Roadshow seeking clarification of the reported early release of the title "For Love or Country" to Pay TV. The summer dealer kit had indicated that there would be a 12 month hold back to Pay TV but many members have advised the office that indeed Optus Pay TV had been or are advertising the title for screening.

We shall keep you informed once a reply is received.

QUEENSLAND VIDEO INDUSTRY GOLF DAY

The Queensland Video industry golf day is set down for Tuesday 27th August 2002 at noon at the Gainsborough Greens Golf Club Pimpama, located halfway between Brisbane and the Gold Coast. As usual, all the proceeds go to the Starlight Foundation.

It is a day that should not be missed, come along and enjoy the day and the people, even if you think your golf is not that great, it will be well worth it.

Bookings are essential. Please contact your Retailer Group office in Queensland, or the AVRA office on (02) 9960 0046 for a Nomination Form which is required to be lodged by Monday 19th August. Further information can be obtained by calling Jeff Menck on 0417 729 261 or Tim Standing on (07) 3808 4868.

WHAT'S HOT ON VIDEO MAGAZINE

Your existing customers are the greatest asset to your business.

That's why it's surprising that there are still some retailers who are not stocking *What's Hot on Video* magazine.

What's Hot on Video is the best way to reach customers and drive in-store video and DVD sales and rentals, so it's a wise idea to register now if you are not currently receiving it.

To break even on the small cost of the magazine, retailers need to hire out barely two extra videos per week.

And research into rental patterns clearly indicates that you can grow your business by stocking the magazine.

A survey last year found that an astonishing 96% of readers said they were more likely to hire another video after reading *What's Hot on Video*.

Distributed free each month to customers at the majority of Australia's video retailers, *What's Hot on Video* is looked upon as the authoritative guide to all the latest releases. Customers read it to find out more about current videos and those that will be released soon. *What's Hot on Video* provides essential information on each month's top new movies (i.e. the ones you're pushing the hardest), along with insightful, helpful reviews that encourage the reader to rent these movies next time they're in-store.

But *What's Hot on Video* is much more than a 'movie reviews' magazine; it also covers the latest DVDs and video games, profiles leading actors and directors, covers classic film titles, offers fun in the way of puzzles and some terrific prizes and giveaways. For a free magazine it gives great value to your customers and therefore, great value to you.

What's Hot is seen as a relevant, fresh, fun and, most of all, an up-to-date look at what's available for viewers' pleasure. It's a credit to the mag, that the fickle and sophisticated video-watching market turn to it as their first point of reference.

In other words, it's very popular. The latest readers' survey found that *What's Hot on Video* has a pass-on rate of 95%; and nine out of ten readers agreed that the magazine influences which videos they hire.

It makes sense that if they read an interesting review of a particular movie (or a feature about its director/stars), their interest is pricked and they will be more likely to want to see that movie. For retailers, this can only be good news.

What's Hot on Video is therefore one of the strongest marketing tools available.

Even if you are already stocking the magazine, there may be ways to

What's Hot on Video Readers' Survey Report

After reading <i>What's Hot on Video</i> are you more likely to hire another video title from your store?	Total %
Yes	96
No	2
No answer	1
Do the reviews in <i>What's Hot on Video</i> influence what videos/DVDs/games you hire each month?	Total %
Yes	89
No	11
How many other people will read or have read this copy of <i>What's Hot on Video</i> ?	Total %
1	27
2	25
3	23
4 or more	20
No-one else	4
No answer	1

Research from *What's Hot On Video Readers' Survey Report*, August 2001.

improve its effectiveness by training your staff to hand the magazine to customers as they receive their videos. Some stores have also used the magazine in local letter-box drop initiatives.

Those stores who are members of retail groups such as Civic, Family Videoland and Network receive their own retail version of the magazine while independent stores receive a generic version.

New orders or changes to existing orders for members of retail groups should be made through your head office. Independent stores can contact Amanda Ferguson at Pacific Client Publishing on (03) 95207500.

THE ZENITHPAC RENTAL/RETAIL (YELLOW LOCK) SECURITY SYSTEM

AVRA Excellence Awards 2002 Platinum Event Sponsor

The ZenithPac DVD security system offers an affordable effective In-store Retail Security System. This system is already well proven in the US market and widely used in the video-rental sector, with distributors Australia wide.

The system is user friendly, maximises shelf space and leads to increased sales by permitting "live stock". The universal releaser is compact and maximises counter space.

The packaging format is widely acceptable to studios, distributors and manufactures alike as the product takes standard paper parts. The size of

STOP PRESS!

PARAMOUNT SUPPORTS STARLIGHT VIDEO MONTH

Paramount Home Entertainment has generously agreed to donate an October title to Starlight Video Month and help raise funds to brighten the lives of seriously ill children. They will be joining Buena Vista Home Entertainment, Columbia TriStar Home Entertainment, Roadshow Entertainment, Twentieth Century Fox Home Entertainment, Universal Pictures Video and Warner Home Video in donating a leading title for the month of October, making the Starlight Video Month package seven titles.

In the first year of operation, retailers will have the option of purchasing six titles for \$330, or seven titles including a Paramount title for \$385 (incl GST). Based on last year's participation, if all stores choose the seven-title, \$385 pack, Starlight will raise an additional \$65,000! This will go toward sending the Outreach Van to more regional areas throughout Australia.

The 'Agreement to Participate form' has been amended to include the seven pack. All stores should have already received the revised 'Agreement to Participation' form. To request a form, please phone Samantha West at Starlight on (02) 8425 5811.

Remember every child deserves to smile!

the box is equivalent to that of the generic packaging accommodating existing shelf restrictions.

ZenithPac increases efficiency and eliminates placement mistakes and multiple handling of discs, saving on below counter storage space and labour costs.

The double sided walls combat the common form of theft in rental stores (the slitting of the top/bottom of the case and popping out the disc.) The ZenithPac security system effectively secures the outer perimeter of the DVD box.

ZenithPac offers a comprehensive range of DVD, PC, Console and Music Security Packaging. The product range includes keepers (safers) as well as a wide range of live stock boxes to accommodate any situation, including singles, doubles and 8mm disk boxes.

For samples, a free demonstration or more information please contact: Maria Pates at Brackley Industries on (02) 9698 1500, by fax on (02) 9698 5188 or e-mail maria@brackley-industries.com

WORLD'S MOST MODERN VIDEO STORE SOFTWARE LAUNCHED TO AUSTRALIAN RETAILERS, SPONSORS AVRA EXCELLENCE AWARDS

Well-known home entertainment software developer and service provider CustomSoft Australia has launched its new Windows-based video store program **ROCKET** with a series of retailer presentations in major cities in Australia and New Zealand. And it has signed on as a sponsor of the 2002 AVRA Excellence Awards.

ROCKET is a brand new software package, designed and built in Australia from the ground up and taking advantage of the new retail

computer technologies available through 21st Century Windows programming. It will complement and succeed CustomSoft's existing program VIDEOMINDER, which is the most widely-used video store software in Australia and New Zealand.

"The response we received from video retailers during these roadshows has been extremely encouraging, and indicates that the very great effort we made to work with retailers during the **ROCKET** development process has been well worth it," said Angela Dunlop, CustomSoft managing director.

"We worked extensively with experienced and computer-knowledgeable video retailers in Australia, New Zealand and a number of other countries, from single-store owners to major international chains, to ensure that **ROCKET** will give retailers the powerful and sophisticated capabilities to meet the increasing sophistication of the home entertainment industry."

ROCKET offers many new features to retailers, including:

- Full Windows functionality and drivers
- Automatic package deals/promotions
- Loyalty plans
- Hold transactions at the front counter
- Revenue share profitability calculations
- Catalogue functions for actors, directors, synopsis, etc
- Member and product histories in colour graphs and charts
- Linked memberships
- Paperless overdues chasing
- Stock receipts module
- Plug-in special-purpose modules, eg, emailing, SMS text messaging
- Unlimited categories, terms, product groups

"One of the beauties of modern Windows-based programming is the flexibility it provides for the ongoing development and enhancement of a software package," said Angela Dunlop.

ROCKET is designed around a core module that acts as a backbone or skeleton system, and a series of modules are then plugged into this backbone to provide the **ROCKET** functionality. This makes it easy to build add-on or replacement modules to plug into the program, and in turn means that modules can be custom-written to meet the specific needs of particular user groups.

Thus, if a retail group wishes to exploit a new marketing opportunity, provide more sophisticated loyalty schemes, or track customer behaviour more closely, the existing modules can be extended or replaced as needed.

As well, **ROCKET's** architecture enables the program to easily and robustly handle the requirements of computer-linked stores, either two stores running jointly in the same town, or a large group operating in different states or countries pulling back data from stores to a head office.

In addition to Australian and New Zealand retailers, **ROCKET** has attracted considerable interest from the video retail industries in the United Kingdom, Europe, South-East Asia, South America and southern Africa.

ROCKET's DOS-based predecessor, VIDEOMINDER, which has been sold to more than 2,200 users in 13 countries, will continue to be supported by CustomSoft for as long as there is demand by users.

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