

### AVRA WELCOMES VIDEO EZY STORES AS NEW MEMBERS

The Association with the support of Video Ezy Head Office has just completed what would be the largest membership direct mail out the Association has ever undertaken.

The Association wrote to all Video Ezy stores, who where not already members, pointing out the benefits of an industry Association like AVRA. Since the significant victory, on behalf of our members, in the Warner matter, the Association has gone from strength to strength. Of course we have not just stopped there, the Board continues to develop, promote and represent the video industry dealing with all issues that are paramount to the success of our members businesses.

To all the new Video Ezy store members, a very big welcome from all of us at AVRA and please pass on an encouraging word to your fellow Video Ezy store owners about joining as well. Membership of AVRA is supported by Video Ezy Head Office.

### ROADSHOW CONTINUES TO DEFY LOGIC WITH SMALL CASES FOR RENTAL

Over many years AVRA has pushed distributors to provide VHS rental stock in large cases. Large cases reflected a difference to retail product not only in size but in a perceived value to the customer. There was also a customer perception that the tape quality was superior. Video stores displayed a consistency in there VHS stock displays and displays shelves which provided this differential to retail stock.

#### So What's Changed?

With the advent of more major titles being released to retail, some distributors have forgotten the needs (large cases) of the rental channel. AVRA has been aggressively discussing this problem with distributors in the hope that large cases or at least slicks for large cases can be provided. As a result of these discussions *How to Loose a Guy in 10 Days*, *What a Girls Wants*, *Phonebooth*, *Charlies Angels Full Throttle*, *Bruce Almighty*, *Xmen II*, *Daddycare* and *Finding Nemo* are all now available in large rental cases or have rental slicks available.

But Roadshow starting with the release of *About Schmidt* this year has moved to small VHS cases for rental product. This move leaves Roadshow standing on its own with this issue in the industry, as all other

## NOTICE OF MEETING

The Annual General Meeting of The Australian Video Retailers Association Ltd will be held on Friday 31st October, 2003 at Star City Casino in the Boardroom Commencing at 10.00am

For planning purposes all members intending to be present at the meeting should notify the AVRA office (02) 9960 0046

distributors, Warner, Fox, Paramount, Universal, Buena Vista and Columbia either make available large cases for rental product or provide "slicks" for large cases.

Although AVRA has contacted Roadshow on many occasions, all members are asked to help to cause by telephoning Roadshow's management, Chris Chard or Ros Wilson, 02 9552 8600 and make them aware of your disapproval of small cases for rental.

### THE FUTURE OF SECURITY ENABLED RETAIL PACKAGING

Since the beginning of retail, high-end goods have traditionally been hidden or locked away in order to thwart theft. As chains continue swell in size and numbers, equally does the volume of goods churned through the merchants. No longer can retailers afford the space, the capital expenditure or the labour costs associated with locking goods away in catalogues or behind glass. Consumers and content providers are also at a disadvantage under these current systems. Delays at point of sale particularly during peak trading months, due to cataloguing, are common and reduce the chance of the impulse sales. Shrink-wrap is often pierced or removed detracting from the appearance and consumer perception or expectation of the product.

Retailers are actively searching for packaging innovations to bring products into live, easy to retrieve high touch selling environments, which sustain sales and meet the consumers needs for instant service and gratification but simultaneously protecting the store from the ever-present threat of theft.

Specifically to DVD, games and software, developments in security packaging to assist the burden on retailers have seen various security enabled packaging and safers launched which have subsequently relieved

the costly pressure of security and have achieved some success specifically when used in conjunction with source tagging.

Currently physical strategies such as cables, chains, blister type packaging, benefit denial (Ink Asset Damage), locking packages and safers have been implemented collectively in conjunction with electronic strategies like EAS, source tagging, and POS exception reporting. As both physical and electronic strategies are open to human error, comprehensive staff training, selective recruitment and retailer vigilance has become a necessary and integral part of security enforcement. One measure alone is not the solution to loss prevention.

Understanding the needs at various levels, from content providers down the chain to manufacturers, distributors and retailers is essential in the development of security-centric innovations. Content providers are ultimately seeking attractive packaging, which will support the marketing and sale of their product. Manufacturers require packaging, which lends itself to new technologies such as high-speed automation as well as standardising and minimal sing inventory levels. Retailers, as discussed previously are ultimately seeking an 'optimal footprint' to maximise shelf density which reduces theft, however provides a tactile, live-sell environment.

Consumer's needs are centred on immediate access to products, environmentally friendly and consumer friendly packaging and the provision of a product in pristine condition. Many of these needs are not currently being met.

So where is security packaging heading? Clear Vu, a US based security packaging company represented exclusively in Australia by Sydney based Brackley Industries, released the fully integrated ZenithPac security into the rental channel two years ago. Brackley Industries offers added DVD security via lockable single and double DVD boxes and DVD safers/ keepers which release the product using a compact universal releaser for all the range. These safers/ keepers are now used extensively for additional games security throughout the retail and rental channels. Brackley Industries in conjunction with Clear Vu are planning to release a DVD Box, which is locked and source tagged at point of manufacture. For more information contact Alison Field at Brackley Industries on 02 9516 1944.

Article was supplied by Brackley Industries, the Platinum Event Sponsor of the 2003 AVRA Retailer Excellence Awards.

## OUR MISSION

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

## AVRA AWARDS 2003

### PLATINUM EVENT SPONSOR

The ZenithPac Security Rental & Retail Packaging by Brackley Industries

#### Gold Sponsor

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### AVRA BOARD CONDUCTS INDIVIDUAL INTERVIEWS WITH THE MANAGING DIRECTORS OF SIX MAJOR DISTRIBUTORS

In what is hoped may become an annual event, the Board of Directors of AVRA invited the Managing Directors of all the major Distributors to individual meetings with the Board on the 31st July 2003. The Board believes this type of meeting is very beneficial in helping them understand where the industry maybe heading in the future and also allowed the Board to put forward their thoughts on a range of issues they see affecting the rental channel.

Topics covered included:

- Marketing Support for the Rental Channel
- Rental packaging
- Returns policy damaged VHS and DVD
- AVRA awards sponsorship
- Windows – breaches
- Release formats policy VHS and DVD
- Movielink
- Disposable DVD's
- Security Cases

For a complete summary please refer to our comprehensive comparative table contained on pages 2-3 of the newsletter.

The Association would like to thank all those people involved in what was a very long day, the rewards were well worth the time and effort put in by all.

### AUSTRALIAN TAXATION OFFICE LATEST NEWS ACTIVITY STATEMENTS UPDATE

#### Lower PAYG instalments

The Government has increased the personal income tax threshold effective 1st July 2003. This means that, as well as paying less income tax, the PAYG instalment amounts and rates calculated by the ATO for individuals, for the 2003 -2004 income year, will also be lower.

Commencing with the 1st quarter instalment activity statement for 2003-2004, individuals who choose to pay their PAYG instalments using the instalment amount or instalment rate that the ATO have calculated, will benefit immediately from these reductions.

#### Correcting GST mistakes

If you made an error or indeed left something out on your business activity statement (BAS) you can correct it in a later BAS instead of lodging a revised one. Corrections allowed are based on annual turnover of your business

Annual Turnover	Time limit in which you can correct	Correction limits
Less than \$20m	up to 18 months	less than \$ 5,000
\$20m to less than \$100m	up to 3 months	less than \$10, 000

#### Failure to lodge on time (FTL) penalty

Failure to lodge on time (FTL) penalty may be applied on late or unlodged PAYG withholding annual reports.

If you made withholding payments from salary and wages during the year you are required to lodge a payment summary annual report by the 14th August. This report details amounts reported at labels W1 and W2 on your activity statement.

If you withheld an amount because a supplier did not quote their ABN you are required to lodge a PAYG "Withholding where ABN not quoted Annual Report" by the 31st October. These amounts are reported at label W4 on your activity statement.

#### 2003- 2004 Car limits

The car limit for 2003-2004 financial year has been set at \$57,009. This limit is used to determine the maximum GST credits that can be claimed on your activity statement, to calculate depreciation deductions under the income tax law, and to set the luxury car tax threshold. GST credits for cars with a GST inclusive price that exceeds \$ 57,009 are restricted to a maximum of one eleventh of that value (\$ 5,183)

#### Important

This latest up date is not to be taken as Professional advice and you should check with the Australian Taxation Office on 13 28 60 or www.ato.gov.au

SUMMARY OF INTERVIEWS WITH DISTRIBUTOR MANAGING DIRECTORS

Paramount	20th Century Fox	Universal	Buena Vista	Columbia	Roadshow
<b>Marketing Support Rental Channel: Current advertising appears to push the Title format not the actual title which would be more beneficial to the Rental channel Could advertising include a tag line Rent It or Buy It ?</b>					
Paramount agrees 100% that advertising should be focussed on the title not the format and I also take on board the comments about a tagline being used.	Not Intentional happy to say rent it research shows rental good therefore Fox trying to convince customers to purchase	The Rental channel is a key player for Universals business. Specific titles will be marketed with buy and rent messages	Sell thru title sell thru advert. Rental title rental advert. Will check tag line Rent or Buy it. Buena Vista has a new person to drive Sell Thru at Rental. TV advert done.	Advertising is titled focussed. The core message Bring it Home Bring it On is transaction neutral allowing consumers to make their own decision. Advertising is DVD focussed.	Sell thru possibly, so no rental advertising. Focus movie by movie. Needs strong message rental. <i>Follow up reply:</i> now addressed situation TV advertising includes rental message
<b>Rental Packaging all Formats: Will your company supply rental size (large) cases for Direct to Retail Product</b>					
Large cases rental digipak only if worldwide release	Large boxes all product not direct to retail split digipak for rental ok. <i>Follow up reply:</i> Fox decided to release X-Men and Phone Booth direct to retail product in large boxes endeavouring to offer digipak in separate Amaray cases	Universal is very consistent delivering window titles in large cases All sell thru product will be small cases Universal will print rental size VHS sleeves and they will be available for Head office to send out to stores	VHS rental generally ok large box. Sell thru small boxes down to efficiency and catalogue. Large boxes possible. Will come back with the costing.	Columbias has taken on board AVRA's request <i>Charles Angel, Full Throttle</i> and <i>Daddy Day Care</i> will be available in rental cases at a cost of \$ 1.50 premium per unit Columbia has made a conscious decision to move away from Digi-pack	Committed to small boxes Sept re-evaluate next few months this week. Small cases 20cent cost benefit. <i>Follow up reply:</i> At this point we intend maintaining VHS releases in one style of packaging being Retail cases
<b>Returns Policy damaged VHS/ DVD: What is your returns policy on damaged VHS/DVD Rental and Retail product</b>					
Rental VHS / DVD 30 days replace Retail TBC rental damage minimal  Note: Please check whose responsibility it is for the freight charge of returned stock	Faulty product delivered rental VHS/DVD up to 30 days free 30 to 60 \$15 charge 60 on rental no policy replacment of damaged stock  Note: Please check whose responsibility it is for the freight charge of returned stock	Rental product must notify UPA within 7 days Retail product claims can be made within 9 months of receipt Stock delivered in damaged condition Must notify UPA within three days No claim for customer damage  Note: Please check whose responsibility it is for the freight charge of returned stock	Rental manufacturing full credit, customer damage \$15 replacement. Retail product T B C  Note: Please check whose responsibility it is for the freight charge of returned stock	Rental VHS customer damage 30 days store pays freight manufacturing 3 days dvd no replacement customer damage manufacturing fault yes direct to retail no customer damage replacement no frills policy governed by costing. CHE feedback suggests 100% problems customer damage Much of which is resolved by cleaning every DVD on return Issue is to reduce customer damage Note: Please check whose responsibility it is for the freight charge of returned stock	Rental VHS 30 days no cost. DVD 3 day no cost. Retail product T B A.  Note: Please check whose responsibility it is for the freight charge of returned stock
<b>AVRA Awards Sponsorship</b>					
Will reconsider, now confirmed sponsorship this year	Confirmed sponsorship this year	Will look at but probably no	Confirmed this year but wants one event	Money allocation not there	Will reconsider but unlikely change decision. <i>Follow up reply:</i> we are only supporting one awards event annually
<b>Windows: What is your current windows policy</b>					
24 months free to air. 12 months pay tv	Agrees with windows analyse rental turns to establish effect when windows breached	Universal clearly communciates windows period of each product with Group head offices	Windows under pressure even more so as prices drop. Supportive rental window	Sell thru price windows will shorten VHS rental window may change major product sell thru probably no window VOD and Pay TV window may reduce	Six month projection. <i>Follow up reply:</i> We publish the holdback period min 120 days generally 180 days
<b>Format: Release policy vhs/dvd What decisions influence whether a title is released as a Retail or Rental product? Do you carry state by state impress stock?</b>					
Not covered	Direct to retail assessed title by title concerns are revenue decision same both formats MGM splitting formats	Not covered	Not covered	Achievable price on a windowed DVD scenario is a key influencer. The strong reduction in average price on windowed product in the rental market is a major barrier in this area.	VHS rental review window next March. Delivery of product reached a level of 98% during the last 6 months. People in each state but no road stock available.
<b>Movielink: Do you intend to be involved in this form of delivery?</b>					
No but will check	No knowledge. Piracy risk a concern, have to move slowly	No plans for international roll out	Rang USA for facts today, Neil Cocks is currently in USA should know when he comes back	No plans for international release only domestic model region 4. Can see problem with 5 distributors agreeing	Only if viable model concern piracy not persuing at present but should become actively involved
<b>Disposable DVD: Do you intend to be involved in this new technology?</b>					
Not a good plan should go away	No plan does not know only interested BHE	Not entertaining it at the moment happy to came back us if that changes	Trial period will possibly not work. John has some concerns as to where that takes his business, no plans to roll it out internationally. John will provide notice if that changes John will provide material for AVRA newsletter	Environmentally disaster no chance to start up	Waste of time
<b>Security Cases: Are you happy with your current security case supplier and if not can rental be consulted before any changes?</b>					
Paramount confused about security boxes remain same until clarity in market will consult before change	AVSDA support red tag will consult if thinking of change Red tag not delivering what is was suppose to.	Red tag, AVSDA Board discussing the system,would be happy to consult before change	Agree to consult before change K mart possible issues red tag	Columbia, based on market/retailer feedback are reviewing our options in this area and will consult and take feedback from the trade	Happy to consult before change
<b>Feedback Comments: Managing Directors</b>					
Good feeling rental sees resurgence next 12 months	No real concerns	Taking time to settle in new job after re focusing Universal business	Provided us with some interesting GFK figures showing VHS against DVD	A F I C funding only concern	Values rental market