



Turning a spotlight on the video store industry, Rebecca Spicer discovers why, despite the impact of new technology and severe shifts in the market, key players believe their future will be strong.

BEFORE RESEARCHING THE VIDEO RENTAL INDUSTRY, I ASSUMED THIS was a dying breed of retailers. But it seems people continue to enjoy going to the video store—a fact likely to keep the industry alive for some time yet.

According to Ross Walden, executive director of the Australian Video Rental Retailers Association (AVRRA) the industry is now made up of approximately 2,000 stores, and independents represent around one percent of them. This has a lot to do with the success of franchising in the industry, as well as the advantages of being part of a larger group. "There's been a rationalisation of numbers and consolidation within the groups," he says.

Keran Wicks, founder of Network Video—a group of 400 independent stores Australia-wide—opened her first independent store, Monster Video, in the early 90s despite a Movieland store in residence on the opposite corner. She realised early on there were some disadvantages in being independent. "Though my store was twice the size and bought twice the amount of product, because they were a Movieland [franchise] they were paying half of what I was for product. At that stage Video Ezy had started to franchise and the industry's 38 groups [of independent stores] looked like they were all going to franchise. Now there are only five groups, and so a lot have come and gone. I thought franchising wasn't the only way to go, so I started Network in 1993.

"The industry went through a massive boom in the 80s when everyone discovered VCRs and we all rushed out and spent thousands of dollars on them," Wicks says of the changing industry. "Certainly technology has advanced but the industry has also matured. In the 90s it got very professional. Stores had to offer



Network Video's founder, Keran Wicks, says being part of a group helps her store owners get better buying power and support.

much more to their customers. Stores got into copy depth, so you weren't walking into a store and seeing only one or two copies of movies on the shelf, you were seeing 10 to 30 copies and you could get what you wanted."

Along with the growing industry, Wicks responded to consumer demands to see more new releases on shelves. "This, and buying more products, put added pressure on the smaller operators. So, while the industry still kept growing, it also rationalised. The smaller shops closed down and the stores realised they needed to be a part of a group to get buying advantages but also to get more professional in running their businesses so they had a better consumer offering. So that's why a lot of groups disappeared or they were absorbed by other groups."

EVOLUTION THEORY

While the industry has changed a lot, Walden thinks it's merely a matter of evolution. "Stores have had to completely re-market themselves in every concept to keep up with trends, but that's just the life of business. It's something all types of businesses need to do—reassess what you're doing, what you're trying to achieve, and what's available to you in the market."

When Wicks started out, there were Beta and VHS video formats competing, with Beta quickly disappearing. Now DVD is pushing VHS to the back of the shelves. "DVD has revolutionised the home media business again," says Wicks. "When consumers wanted more DVDs, when it got to about 20 percent penetration, all of our stores invested a huge amount of money in DVD catalogue products because people started to want to see all their old favourite movies

again in a new format. So stores spent a couple of years and a lot of money making sure that when you went into a store and wanted to get *The Godfather*, you could get it on DVD."

Some stores are beginning to stock only DVD formats on

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their shelves, relegating VHS to their back catalogues. However, Wicks says the majority of stores are still stocking a percentage of VHS because it continues to ▶

- ▶ have a large penetration in the household. "As most people have bought DVD players, they've moved the VCR down to the family room or the kid's room, and older people are still using VCRs. There will come a time when we don't need them, but as long as the consumer wants them, we'll have them."

Just as the advent of DVD brought benefits, it certainly brought trials, and piracy is one of them. Stamping out piracy has been a major concern for AVRRRA who is working closely with the Australian Video Software Distributors Association (AVSDA) and the Australian Federation Against Copyright Theft (AFACT). "With all of these associations being active, we've seen more action by the Federal Police and much more seizure of goods. And we're only going to see that increase, not decrease," says Wicks.

Online video rental now exists, but it seems this has put little pressure on the stores. While it has its place, Wicks acknowledges, online rental is a different service for a different market and is unable to supply to the traditional impulse renter.

Walden agrees. "There is online rental in Australia but we haven't seen anything that substantiates that online is successful at the moment. Even though they'll pick up a certain percentage of the market, they won't pick up the traditional rental customer."

He believes the perceived threat from digital Pay TV has been exaggerated, and new releases are still the business of video stores because of agreements with distributors. "People tend to talk the industry down because of all these new formats coming in," says Walden. "They've been talking it down for 20 years but it's still there and it's still buoyant."

Wicks believes stores will hold their own despite the new medium. "There's probably been something every one or two years that was going to kill the rental stores, from cinemas or Pay TV to Foxtel digital, but the rental industry today is stronger than it's ever been. I can see nothing that is going to change the consumers love for rental."

"The industry will continue to rationalise, as in small stores closing and larger stores opening and servicing a larger area. We've had constant growth for five years now; we see no signs of that abating."

DSB

NEW PLAYER

Another medium making inroads in the industry is mobile video renting, and one business new to the market is Movies24. The company's director, Michael Marcus, says the concept of automated DVD rental and sale machines has been in Europe for almost 10 years and research found a similar business would make a good fit in the Australian market. "We looked at the market and in essence we saw that this small machine that's about a square metre in size can do almost everything a video shop can do, except there's no space and overheads component."

Essentially consumers use credit cards to rent the DVDs, which must be returned to the vending machine within a week or the full cost of the DVD is extracted from the credit card account. The machines also facilitate membership-type options and you can buy ex-rental DVDs from the machine.

The Movies24 vending machines stock around 700 DVDs, mostly new releases, but Marcus says this can differ between locations.

"In addition to being able to replace video shops, it's also a viable option to add to existing video shops because these stores can slot them into their wall and suddenly become a 24-hour operation. They can cut back on their labour overheads."

As for who will use these units to rent their DVDs, Marcus believes it comes down to a need for the modern consumer to have convenience, particularly given the unit's placement in high traffic areas such as convenience stores, petrol stations, and potentially in hotels. "A unit is so much closer to people's homes as well as to other services they use, and so they don't necessarily make a decision to go and get a DVD. They make a decision to go and get milk or petrol and happen to walk past the machine and rent or buy on impulse."

