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**GOING, GOING, GONE!**

How to make a living selling online

**LEAN BUT NOT MEAN**

Cut costs without the slash and burn

Keran Wicks, founder of Network Video

## Box Office Hit

we go behind the scenes of Network Video's **\$130m** success story

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Video may have killed the radio star, but for Keran Wicks it played a star role across her 400 branded outlets nationwide.

**VIDEO LIBRARY OWNER** Keran Wicks was understandably proud when she launched her first video library in 1998. She could have been forgiven for thinking she had found a niche market. But she hadn't. Within a year, the video rental market was in a state of decline. And she was left with a library of video tapes that she couldn't sell. She had to start over. And she did. She started a video library that was different from the others. She called it 'Box Office Hit'. And she has built it into a nationwide chain of 400 outlets. Now, she's a multimillionaire. And she's still going strong.



**START ME UP**

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The ultimate guide to getting your business up and running

by Tony Higgins



**Lean but not mean**

how to cut costs without slack and burn

by Stephen Preen



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# BOX office HIT

Video may have killed the radio star, but for Keran Wicks it played the lead role in her 400 branded outlets nationwide. By Brad Howarth.

**VIDEO LIBRARY OWNER** Simon Shaw was understandably shell-shocked after the meeting in mid 1998 that could have killed his business. Shaw had operated a video library as part of the Queensland-based cooperative retail chain Go Video for five years, working with the company to build up its brand and presence to more than 70 stores.

But at a snap meeting in Brisbane, the company announced that some bad financial decisions had meant that store owners could no longer trade under the Go Video brand – effective immediately. With group buying power suddenly ripped away, and next month's orders pending, the situation for Shaw and others looked grim. Into that fairly hostile and negative crowd walked Keran Wicks, a forceful business woman whose Network Video chain was on the rise. Joining Network was the Go Video management's recommendation to its former supporters.

"She got a fairly tough reception, because we were all fairly angry about the situation," Shaw says. "We had to place our orders for the next month. And Keren came and said she would take care of it. And we thought there was no way that they would be able to fulfil 70 stores orders. But she said she'd do it, and it got done."

It's this sort of determination that has seen Network Video survive and grow in the volatile movie rental market, picking up a swag of awards for stores, marketing and Wicks herself along the way. When Wicks founded Network in 1993 there were 38



*"Network has 400 branded outlets ...  
and between 18 and 20 per cent of the  
\$700m video rental market."*

groups operating in Australia. Today there is a handful of large chains left. And she has done it by spending only a fraction of the promotions budgets of groups like Blockbuster and Video Ezy.

The Network model runs counter to that of its competitors. Rather than operating as a franchisor, with licences purchased by franchisees under fixed-term contracts, Network operates more like an association of independent business operators. Each video store owner pays a low monthly fee, and is free to leave the chain with 90 days notice. But it still gains access to bulk purchasing power in terms of movie content, marketing collateral and consumables.

Today Network has 400 branded outlets across Australia, which capture anywhere between 18 and 20 per cent of the \$700m video rental market. Wicks' entry into the video industry came in the late 1980s after she was dumped from her management role at a sheepskin products retailer.

She had taken the company from one outlet in Melbourne to 32 across Victoria, but was sacked after announcing she was pregnant. Wicks' case was the first in Victoria for discrimination on the basis of pregnancy, and the company subsequently settled for what Wicks says was the equivalent of two week's wages.

"I was out of work and pregnant, and I couldn't sit around thinking about what was I going to do," Wicks says. "Video had just started, and stores were opening on every single street corner. So I took a job in a video library in Hawthorn. I loved it and loved the interaction with people."

After having her first child, Wicks decided that video was the industry to be in, and so began selling second hand videos wholesale (in those days new videos were worth \$100). That led to opening a warehouse and growing into one of Australia's largest wholesale businesses.

After having her second child Wicks decided to make use of the advice that she'd been giving to her wholesale clients and open her own video library. In 1991 she took over a run down library in the Melbourne suburb of Kew, reopening it as Little Monster Video and taking annual turnover of \$80,000 to close to \$700,000 in three years. Wicks says the two keys to her success were focusing on customer service and ensuring that the library had the products that customers wanted. But just down Cotham Road was a MovieLand outlet – the first chain in Australia to operate as a franchise, and at that time one of the biggest chains in operation.





**"If I walk into Blockbuster and Video Ezy... we call them McVideo, because you can't tell one from the other."**

Wicks became frustrated that despite the fact that she was buying twice the stock and turning over twice the money of the MovieLand outlet, she was paying double for stock because she was not part of a franchise group.

"I thought this wasn't right - I shouldn't be forced to sign a ridiculously heinous contract for ten years and have someone else tell me how to run a business when I know more than them anyway. So I thought if they can do it, I can do it better, so in 1993 I started Network Video."

Wicks chose the Network name because the group was intended to be a network of retailers benefiting from group buying power. She approached 12 independent store owners that she knew from her wholesaling days, who formed the foundation of the company. Within a year the number of members had grown to 100. Wicks describes Networks as a community-based company, with stores free to support local footy clubs and the like. She encourages owners to develop individual personalities for their stores.

"If I walk into Blockbuster and Video Ezy, as much as they have great service, we call them McVideo, because you can't tell one from the other," Wicks says. "With our stores we give all of our members the flexibility to build their store to what suits their local community needs. And we've got some really funky stores, with black ceilings and spotlights. And they have a lot more flexibility to work with all of the local businesses. They don't need to get things approved by 23 tiers of management. They make one call to us."

Wicks says these differences are why Network is picking up members who are leaving existing franchisees. She expects the group to be 20 per cent larger by the end of 2006.

"They don't want to be told what to do any more. We do everything the franchisees do for a fraction of the cost. We supply everything the stores need, whether that's membership pads or marketing. And every one of our members pays exactly the same."

Simon Shaw now operates five stores in Brisbane under the Network Video brand.

"We are a low cost group, and we're a passionate group," Shaw says. "We're allowed to have our own identity, to a large degree. We're a group where you don't have to be politically motivated. The other groups are locked in to contracts, and we're not. She [Wicks] encourages people to challenge her. When I don't agree with something, she has encouraged me to verbalise it, and make me a better boss for my guys."



Each potential new member is spoken to personally by Wicks before being signed up. She says the company does not have a criteria for membership, but seeks the right mindset. Size or money are not important factors, and Wicks says the rejection rate is less than 5 per cent.

In addition to the monthly fees, Network makes money through small profit margins on the goods and marketing collateral that it sells to its members. Wicks says this is a minor burden for them in comparison to the bulk discount power they get from buying through Network in the first place.

Network operates its own marketing and interactive design agencies, which operates as their own profit centres and are free to chase business outside of the network group. In all, the company has 45 people employed at its head office.

The company is also experimenting with operating its own stores, having just opened its first at the company's headquarters in North Melbourne. Wicks says this gives Network the opportunity to trial new ideas and promotions before rolling them out to other stores. Further company-owned stores are likely, at a time when Wicks says one of her biggest competitors, Blockbuster Video, is selling its own off.

The fact that Wicks has come so far owes much to her own management philosophies. Wicks left school at 13, a self-confessed "abject failure" as a student. She says she has tried reading books on business practice and philosophy, but generally finds them frustrating.

Part of her philosophy is to not focus heavily on failure, and to learn from mistakes. Her attitude is that things are never as bad as people think they are.

"If you make a bas decision, just fix it. Don't dwell on it, move on. Business is fraught with mistakes and thing you don't expect. Move on."

Wicks also says she places a high value on loyalty. All of her

current senior managers have been promoted from with the company, and she cannot recall hiring anyone externally for a management position.

"I really value loyalty above ability in some instances. Loyalty and dedication are absolutely the most important thing for employees to have. And you can teach them anything - if they are really dedicated they want to learn. Mind you they have probably learnt some of the things that they shouldn't be doing from me, but we are a little bit unusual as a company."

John Vale, managing director of the independent film distributor Imagine Entertainment, says he has known Wicks for nearly 20 years. Vale says he admires Wicks' willingness to assist on resolving issues within the industry.

"Her leadership is sensational, she is totally committed to the industry, and very loyal to her people - and they are to her too," Vale says. "She built a large group of video retailers in a marketplace that was almost against the tide."

And despite a long series of predictions of the imminent demise of the movie rental library, as technologies and models

such as cable television, mail-order video rental, and video-on-demand take root in the Australian marketplace, Wicks says she is unfazed by the challenges that lie ahead.

"We've never had a stagnant backwards year. We've managed to grow to 15 per cent to 20 per cent of the market depending on which supplier you talk to, from a fairly small base. And we've done that by being able to react quickly to market changes. The industry continues to change, and we have a lot of opportunities."

"Of all the things that have happened and are going to happen, the one thing I have learned is that people love to rent. We like to be able to go to the store and ask if this is a bad movie. We're not Americans - we don't want everything delivered. We love shopping. We're an experience population."

Whatever happens to Network, Wicks is adamant that she'll be there, no matter what.

"I have no partners and certainly have no interest in selling out. I know most of our members really well, and I couldn't do that to them, because all they would be sold out into is a franchise model." •

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