

## THE MARKET

Australians are going to the movies more than ever. The year 2000 saw an increase in theatre revenue of over 13 per cent after a record 12 years of consecutive growth. As well as that, more than 87 per cent of Australian homes have a video player and, more importantly, DVD player penetration will pass the 10 per cent level by the end of 2001. All of these statistics clearly indicate that there is a highly profitable and organised home entertainment industry in place throughout the country.

High consumer demand, a plentiful supply of the necessary hardware and entertainment software in both the VHS and DVD formats in Australian homes and an efficient distribution system combine to create a recipe for strong and continuing improvement in the market. There is every reason to be enthusiastic about the potential for future growth in pre-recorded video in Australia.

Australians are the world's biggest renters of videos per capita, and in 2001 there are over 2050 rental outlets across Australia. Perhaps the largest growth area in the Home Entertainment market has been the retail sector which has grown by over 46 per cent since 1998. Most of this retail growth has been directly related to the explosion of the DVD format driving hardware and software sales to unprecedented levels.

The total rental video market was valued at \$595 million in 2000, while the retail market

reached \$280 million. Fox's DVD revenue has grown in that period by more than 46 per cent across the market. Fox Home Entertainment runs at an average 18 per cent per cent share of the rental market, placing it in the top three of software distributors, and in the top two of retail sales with an average 22 per cent market share.

## ACHIEVEMENTS

The growth of Fox Home Entertainment has been spectacular. Sales in fiscal 1995 were \$28 million with sales in fiscal 2001 forecast at over \$90 million. Fox has been listed by BRW as one of Australia's 100 fastest growing companies. As part of an international organisation, the Australian Fox subsidiary has tended to grow faster than many others around the world and now ranks 5<sup>th</sup> in Fox Home Entertainment internationally.

Fox Home Entertainment has fostered lucrative distribution partnerships with other major international studios such as MGM and Regency Films, as well as high profile Australian independents like Palace Films and Go Films. These partnerships have allowed Fox to distribute some of the most highly regarded and commercial films outside of its own studio's production facilities.

As a company born out of the development of new technologies, Fox continually embraces their use to become more competitive and cost effective in its trading environment. Fox has adopted a flexible approach to sales,

marketing and distribution that has made it an agent of change in a highly competitive environment.

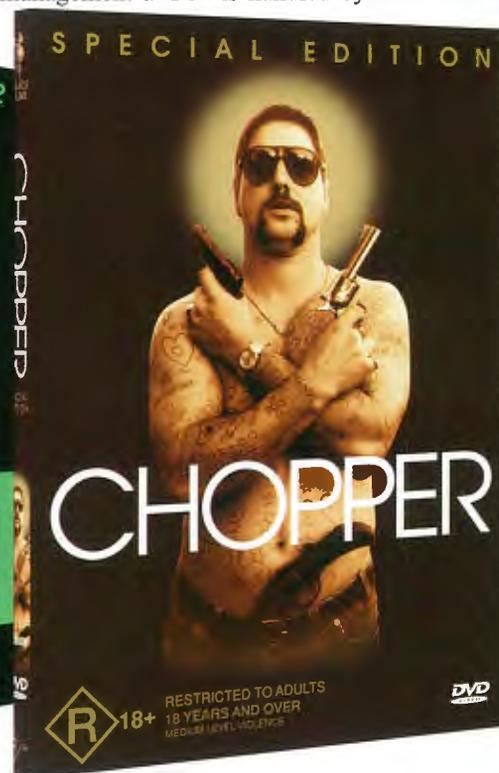
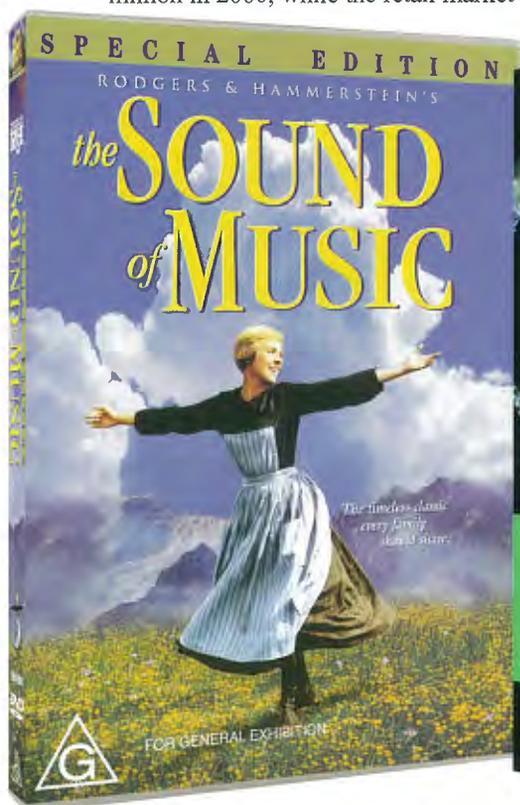
The greatest strength Fox has is its relationship with the major retailers in both the rental and retail channels. This is partly due to the focus Fox maintains on achieving profitable and sustainable gains for all its business partners. Relationship marketing is a key strategy and, as a result, trading relationships are robust and co-operative.

Complementing title- or brand-specific point of sale materials are 'Fox Direct Plus' merchandising units, the first of their kind and unique to Fox.

These units, which originated in nationwide Target promotions, have been an enormous success and have generated a measurable increase in video sales performance. In 1998, Fox's domestic video operations in the USA adopted the "FILMS" display units designed and created by Fox Australia for a world-wide rollout, a great example of Australian ingenuity being exported.

Fox marketing is also setting standards both at home and internationally earning multiple awards and industry recognition for innovative and effective campaigns within both the rental and retail channels.

The competitive advantage Fox enjoys is due not only to a well-developed understanding of the rental and retail channels but also to the implementation of sophisticated Electronic Data Interchange (EDI) processes. Retail inventory management at Fox is handled by the VISION



system, and world's best practice supply chain processes are being introduced with leading retailers. The use of EDI, POS scan data and scan picking and production of shipping cartons enables error-free and paperless supply.

## HISTORY

20<sup>th</sup> Century Fox Home Entertainment has a long history of successful distribution in Australia, beginning before 1983 when Magnetic Video evolved into an international joint venture between CBS-Fox and the studio.

The studio took complete control in 1991 and, as a result, the relationship was strengthened further. Fox became a retail channel distributor in 1996 and has since gained market leadership through the use of superior technology, experienced sales and marketing personnel and the development of close retailer relationships.

In 1999, the Australian offices of 20<sup>th</sup> Century Fox Home Entertainment relocated to the Fox Studio at the site of the old Sydney Showground.

## THE PRODUCT

More than half of the videos and DVDs sold in Australia are live action movies, and Fox has established market leadership in the marketing, promotion, sales and distribution of feature film.

Fox has adopted a portfolio management style to platform each area of its product offering. From new release films for the rental market to a catalogue of over 400 films on both formats to the retail market, Fox has enjoyed outstanding distribution successes and many record breaking results.

With a mix of outstanding 'evergreen' films such as Braveheart, Titanic, The Sound of Music, Fight Club, and X-Men to mention only a few, Fox has one of the strongest video and DVD catalogues available. Complementing the individual films are the strong film and television franchises including all 19 Bond films and the TV hits The Simpsons, X-Files, Buffy-The Vampire Slayer and Angel, to mention only a few.

## RECENT DEVELOPMENTS

The development and consumer acceptance of DVD has heralded



enormous growth in both the rental and retail channels. While the industry as a whole has forecast DVD growth from 2000 to 2001 to be over 40 per cent, Fox has grown by over 80 per cent in those categories. What was old is new and exciting again with DVD Special Edition releases of films as diverse as Independence Day and The Sound of Music. The excitement of this new format is growing at an unbelievable rate with DVD driving the consumer to rent and purchase with new enthusiasm.

Fox Home Entertainment has just joined forces with their theatrical arm to launch their first web site in Australia. The site will be a one stop information shop offering the consumer a look at upcoming video and DVD for both the rental and retail channels as well as a comprehensive listing of all of available products on VHS and DVD.

## PROMOTION

Fox spends both strategically and aggressively on marketing, specifically in the areas of consumer advertising, point of sale, retail execution, publicity and promotions and retailer specific promotions.

Consumer advertising is targeted to reach the individual product's main demographic segment. The primary choice for new release and re-promoted product is specialist press and radio advertising, supplemented by other forms of media such as database mailers, pay-TV and in store point of purchase materials.

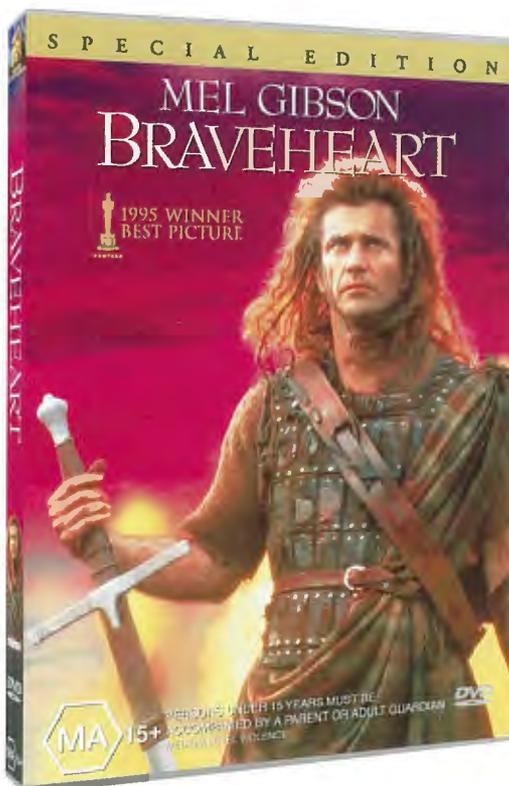
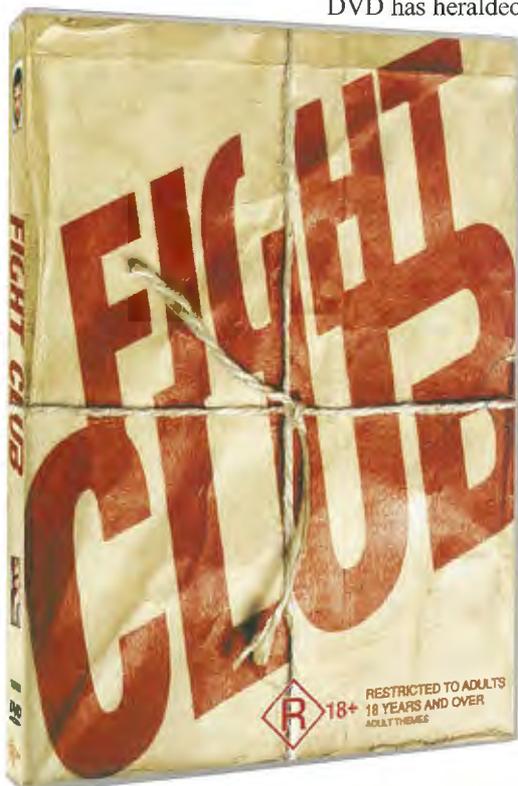
The Fox publicity and promotions team works with both rental and retail product to create a competitive edge, concentrating on several key strategies to position Fox product for both the industry and consumers.

The team maximises sales potential through cross promotions, product tie-ins and public relations; develops long-term third party partner relationships; and engineers and implements strong relationships with key members of the press. The team also plans and implements talent tours, interviews and press opportunities; creates event marketing plans including PR events and trade and retail specific launches; and develops retail campaigns to drive sales and increase retail presence.

As a News Corp company, 20<sup>th</sup> Century Fox Home Entertainment has formed unprecedented alliances with Fox theatrical, television, Foxtel cable television and News Corp publications. This has created a strong corporate synergy which gives all the organisations involved a competitive edge in their respective markets. Promotional partnerships with News publications, entertainment affiliates and allied firms like Harper Collins in publishing are especially effective.

## BRAND VALUES

Fox Home Entertainment carries the name and iconography of its parent 20<sup>th</sup> Century Fox, one of the oldest and most recognised film studios in the world. As a distributor of entertainment and some of the best loved films of all time Fox represents memories, laughter, drama, songs and emotion to every generation. Fox is committed to delivering high quality replication of these films on VHS and DVD, which conform to the high standards expected by the consumer.



### THINGS YOU DIDN'T KNOW ABOUT 20<sup>th</sup> CENTURY FOX HOME ENTERTAINMENT

- The 20<sup>th</sup> Century Fox Home Entertainment team is relatively small, with only 39 full time members.
- The blockbuster hit film, Titanic, has sold nearly 1 million units into the Australian marketplace across the video and DVD formats... that's 1 in 6 households.
- The production line which assembles Fox videos automatically opens the video box, inserts the slick, drops in the cassette, closes the box and adds a price label at the rate of 1700 boxes per hour.