

VIDEO EZY®

THE MARKET

The home entertainment market has followed many paths over the past decades, most significantly from Video (VHS) tape to Digital Video Disc (DVD) technology.

Video Ezy has continued to adapt to this changing marketplace in order to meet the demands of its members' rental and retail habits, and accepted this challenge early in the DVD revolution.

DVDs have been in the Australian marketplace since 1997 and DVD players are in nearly 60 per cent of households, with sales increasing by 80 per cent in the 2003 calendar year. Consumers are seeking partners to satisfy their renting and buying needs and with the VHS market expected to dry up within four years, Video Ezy is well-placed to take on this rental and retail role. Video Ezy stores' ordering ratios in metro markets are now 70 per cent DVD and 30 per cent VHS. This is in sharp contrast to early 2003, but it reflects the DVD retail market figures of 2003.

Video Ezy acknowledges that Australians are now, more than ever before, "cocooning" themselves at home. This trend presents a unique opportunity to connect with consumers on a personal level, as they customise their experiences to capitalise on their in-home entertainment systems.

HISTORY

Video Ezy was established in 1983 after identifying a gap in the Australian entertainment

industry to provide rental movies to the public. In its 21st year it is the largest entertainment retailer/retailer in Australia, with over 540 stores nationwide.

From a humble beginning of one local Sydney store in Hurstville, Mr. Robert Maidment, Video Ezy's Executive Chairman, soon had a vision to grow the business and provide customers with "what they want, when they want it", founding Video Ezy's brand essence, "Maximum enjoyment, made Ezy".

Video Ezy's move into Asia has unlocked further growth opportunities in the region and in March 1999, Video Ezy opened its first Asia Pacific store in Bangkok, growing to 85 stores currently trading in Thailand. Conversions and openings are also occurring in Singapore with 11 stores, Malaysia with 13 stores and the 123rd store now open in Indonesia. Opportunities are currently being developed in Dubai, Taiwan, and Fiji.

Whilst Video Ezy has grown to be one of the best brand names in Australian home entertainment, team-member knowledge and customer service remain among its key success factors, along with

the number of physical outlets compared to most traditional retail outlets. Hence, retail is now another opportunity Video Ezy can nurture. It can be competitively placed to win market share, largely due to the fact that rental stores stay open later than traditional retail outlets and there is a natural association between rental patterns and the purchase of home entertainment software.

With this in mind, Video Ezy positioned itself as the most

innovative of the video rental outlets and launched an enterprising franchisee pursuit to ensure the future of its resourceful approach to business. With the aim of becoming part of the community, Video Ezy employed a local and knowledgeable team-member base to provide not just an entertainment outlet, but an operation where entertainment passion rang true.

Video Ezy's philosophy is simple: provide a comprehensive, innovative and dynamic home entertainment option, having regard for quality, convenience, responsibility and value for money. Along with exceptional customer service and community integration, this has allowed Video Ezy to build the largest and most successful home entertainment organisation in this region.

THE PRODUCT

Video Ezy's core business is in the rental market, but retail offers a wonderful growth opportunity and the 540 franchisees are making a real impact. Video Ezy has the competitive edge, being able to offer the customer an 'enjoy it any way you want it' advantage: rent it now, buy it now, or buy it later as a quality guaranteed previously-viewed disc.

As testament to this commitment to retail, Video Ezy was recently awarded '2003 DVD Retailer of the Year', at the celebrated Australian Video Industry's AVI awards.

In the pursuit of a competitive retail strategy, Video Ezy has been keen not to neglect the rental side of their business, and plans to grow both the rental and retail channels via strategically creative



business methods. Video Ezy has also simplified ordering with its own dedicated warehouse, where orders are filled from one location, saving on freight and allowing customer special orders to be delivered to stores. With over 12,000 titles in stock, stores reap the rewards of this immediately.

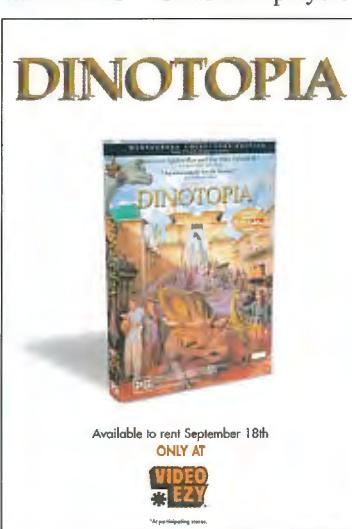
RECENT DEVELOPMENTS

Video Ezy's new Windows-based point-of-sale system, 'Ezy Retail', is the most advanced and powerful POS software system in the world. It has been designed specifically for the home entertainment market, and to Video Ezy's specifications and offerings. It allows information to be centrally created and pushed down the line to the stores, both as real time and locally stored data. It provides comprehensive reporting capabilities, inventory management and collection abilities, giving Video Ezy one of the most comprehensive databases in retail history.

The implementation of the Ezy Retail system has allowed Video Ezy to create a retail-first CRM (customer relationship management) system, offering the latest marketing technology and individual communications to the customer.

Video Ezy can now customise offers, information, and rewards at each customer transaction via the personalised 'Passport to Entertainment'. This allows stores to tailor offers to consumer spending and visit habits. Video Ezy believes that the key to the company's future success lies in this new CRM system.

At the beginning of 2004, the company is engaged in launching an e-commerce portal. Initially this will cater to the retail needs of the market, and position Video Ezy as a strong retail player in the online market. In time, Video Ezy plans to test a revolutionary online rental model which will



BRAND VALUES

As a brand, Video Ezy needs little introduction to the majority of Australians. Its aim has always been to understand clearly what the home entertainment customer wants, and deliver it better than anyone else. The brand's popularity shows how successful that has been.

Video Ezy strives to present more than the generic movie offer with quality in-store presentation and simple language, which encourages positive consumer interaction with the environment they visit, and the offer with which they are presented.

This allows each customer to enjoy entertainment any way they want it – rent it now, buy it new, or buy it ex-rental.

Video Ezy likes to inspire and empower customers with choice and information, and has built a team which embodies the brand values. Team members make a store visit a personal experience with their knowledge of product, their down-to-earth attitude, their love of movies, their dedication to customers, and their distinct local flavour.

Video Ezy will pursue innovative and 'Ezy' offers as it continuously reassesses consumer needs, and will adopt new technologies as the member base develops. The long-term plan is to become an increasingly dynamic force in the home entertainment market and provide maximum enjoyment – by making it EZY.

THINGS YOU DIDN'T KNOW ABOUT VIDEO EZY

- Video Ezy is 100 per cent Australian owned.
- Each week Video Ezy communicates with over 1 million customers.
- In the busiest hour on an average Saturday, Video Ezy stores serve approximately 100,000 Australians.
- Research suggests that members choose Video Ezy stores for their friendly atmosphere and relaxed environment.
- The 'asterisk' on the Video Ezy logo is actually the spool from inside a VHS tape.
- Video Ezy is the largest independent magazine printer in Australia, averaging 460,000 copies every month.
- Video Ezy has over 5000 team members working in over 540 stores across Australia.