

FOXTEL Management Pty Ltd

Submission to Australian Competition & Consumer Commission

FOXTEL Special Access Undertaking

STATEMENT OF ANTONY PETER WARNE DATED 22 AUGUST 2006

On 22 August 2006, I, ANTONY PETER WARNE of 5 Thomas Holt Drive, North Ryde, NSW 2113, in the State of New South Wales, state:

A. INTRODUCTION

1. I am employed by FOXTEL Management Pty Limited (**FOXTEL**) as General Manager, Brand Acquisition. I have held this role since October 2004; however, until recently my title was Brand and Creative Director. I report to Brian Walsh, FOXTEL's Director of Television and Marketing, who reports to Kim Williams, FOXTEL's Chief Executive. As the Brand and Creative Director and now General Manager of Brand Acquisition, one of my responsibilities is to ensure that FOXTEL's marketing activities are consistent with FOXTEL's brand objectives and guidelines. I therefore need to be across as much acquisition and retention marketing material as possible to make sure it is consistent with FOXTEL's brand objectives as well as the objectives of each separate campaign. Being across this material provides me with a good knowledge and understanding of FOXTEL's marketing activities.
2. Attached to my statement is a bundle of documents marked **APW1** which has pages numbered from 1 to 7. APW1 contains documents to which I refer in this statement.

B. FOXTEL'S EXPENDITURE ON MARKETING

3. FOXTEL conducts a significant amount of marketing and it is an important part of FOXTEL's attempts to grow and maintain its subscriber base. The marketing conducted by FOXTEL essentially falls into two categories:
 - (a) **acquisition marketing** which is intended to encourage consumers that do not subscribe to FOXTEL to subscribe to the FOXTEL service; and
 - (b) **retention marketing** which is intended to encourage existing FOXTEL subscribers to continue their subscriptions to the FOXTEL service and to

subscribe to additional tiers or channels or other services (such as FOXTEL IQ, FOXTEL's personal digital recorder).

4. Acquisition marketing is divided into three categories:
 - (a) **Above the line marketing.** This type of marketing is 'traditional' marketing activities that build awareness of FOXTEL's brand and products through mass market advertising. This type of marketing is predominantly conducted through television, radio, newspaper or on-line advertisements or through billboards and other outdoor signage (such as on bus shelters).
 - (b) **Point of sale marketing.** This type of marketing is a type of below the line marketing. It builds awareness of FOXTEL's brand and products through posters, flyers and merchandising which is predominantly used at the "point of sale" at retail outlets and FOXTEL's retail kiosks (set up in major shopping centres and at special events) and by FOXTEL's door-to-door salespeople.
 - (c) **Direct mail marketing.** This type of marketing is another type of below the line marketing. It builds awareness of FOXTEL's brand and products through letters and brochures mailed directly to consumers, often using as a 'hook' a specific offer or promotion (such as free or discounted installation).
5. Retention marketing is designed to strengthen FOXTEL's relationship with its subscribers in order to create and maintain loyalty and reduce churn. Retention marketing is predominantly conducted through:
 - (a) television advertisements broadcast on channels on the FOXTEL service for programming on other channels;
 - (b) advertisements in FOXTEL's subscriber magazine; and
 - (c) direct mail to subscribers.
6. I have been asked to review FOXTEL's expenditure on acquisition marketing for the periods from 1 July 2004 to 30 June 2005 and from 1 July 2005 to 30 June 2006 in order to determine how much of that expenditure related to marketing campaigns which were solely devoted to a single channel in FOXTEL's basic package.
7. In order to do this, I requested from FOXTEL's finance department and, in relation to point-of-sale, Matthew Prowse, a Retail Marketing Executive employed by FOXTEL, spreadsheets which set out the expenditure on acquisition marketing in 2004/2005 and 2005/2006 in each of the categories referred to in paragraph 4

above. I deal with each of the spreadsheets I was provided with below. I am informed and believe that each of these spreadsheets sets out expenditure exclusive of GST. I have reviewed the spreadsheets I was provided and, from my knowledge of the marketing campaigns conducted by FOXTEL in the relevant periods, believe them to be correct.

C. EXPENDITURE IN THE PERIOD 1 JULY 2004 TO 30 JUNE 2005

8. In this section, I deal with the spreadsheets I have been provided for the 2004/2005 period.

Above the line marketing

9. At page 1 of APW1 is a spreadsheet setting out FOXTEL's above the line marketing campaigns for the 2004/2005 period. This spreadsheet shows that FOXTEL's total expenditure on above the line marketing campaigns in the period was [CONF]. Some campaigns contained stand-alone advertisements for single channels in basic, but also contained stand-alone advertisements for multiple channels or channels not in basic as part of the same campaign. Where that was the case, I have been instructed that I should exclude the entire campaign.
10. Of the campaigns listed in the spreadsheet, there are six campaigns which were solely or partly devoted to a single channel in FOXTEL's basic package:
- (a) **Cricket campaign.** This campaign involved television and press advertising for overseas tours of the Australian cricket team broadcast on Fox Sports. The total expenditure on this campaign was [CONF]
 - (b) **English Premier League campaign.** This campaign involved pre-season press advertising of the English Premier League coverage to be broadcast on Fox Sports. The total expenditure on this campaign was [CONF]
 - (c) **Fox Footy Channel campaign.** This campaign involved press advertising of the Fox Footy Channel. The total expenditure on this campaign was [CONF]
 - (d) **Live 8 campaign.** This campaign involved a press advertising the Live 8 event to be broadcast on Fox 8. The total expenditure on this campaign was [CONF]
 - (e) **Love My Way campaign.** This campaign involved press advertising to promote the launch of Love My Way, a new television series broadcast on Fox 8. The total expenditure on this campaign was [CONF]

- (f) **The Tony Awards campaign.** This campaign involved press advertising to promote the coverage of the Tony Awards on Fox 8. The total expenditure on this campaign was [CONF]

Point of sale marketing

11. I have not been provided with a spreadsheet of FOXTEL's expenditure on point of sale marketing in the 2004/2005 period for acquisition campaigns because, while FOXTEL's finance department has records of the expenditure on all marketing, they do not keep a record of the amount spent specifically on point-of-sale marketing. Matthew Prowse, since joining FOXTEL in February 2005, has had responsibility for point-of-sale marketing and has kept a record of expenditure in this area. I have used this in assessing FOXTEL's expenditure on point-of-sale marketing in the 2005/2006 period in paragraphs 18 and 19 below.

Direct mail marketing

12. At page 2 of APW1 is a spreadsheet setting out FOXTEL's direct mail acquisition marketing campaigns for the 2004/2005 period. This spreadsheet shows that FOXTEL's total expenditure on direct mail marketing in the period was [CONF]
13. None of FOXTEL's expenditure on direct mail marketing in 2004/2005 period related solely to a single channel in FOXTEL's basic package. This is because the nature of direct mail marketing, which is usually in the form of a flyer or brochure, means that FOXTEL uses it to promote a number of channels (to demonstrate the depth and breadth of programming on the FOXTEL service) rather than specific channels.

D. EXPENDITURE IN THE PERIOD 1 JULY 2005 TO 30 JUNE 2006

14. In this section, I deal with the spreadsheets I have been provided for the 2005/2006 period.

Above the line marketing

15. At page 3 of APW1 is a spreadsheet setting out FOXTEL's above the line marketing campaigns for the 2005/2006 period. This spreadsheet shows that FOXTEL's total expenditure on above the line marketing campaigns in the period was [CONF]. I have adopted the same approach to this spreadsheet as I describe in paragraph 9 above.
16. Of the campaigns listed in the spreadsheet, there are twelve campaigns which were solely or partly devoted to a single channel in FOXTEL's basic package:

- (a) **The Ashes campaign.** This campaign involved press and radio advertising of the coverage of The Ashes cricket tour on Fox Sports. The total expenditure on this campaign was [CONF]
- (b) **Rockstar outdoor campaign.** This campaign involved outdoor advertising to promote the television program Rockstar which was broadcast on Fox 8. The expenditure on this campaign was [CONF] with an additional [CONF] of installation costs.
- (c) **Fox Footy Channel campaign.** This campaign involved press and magazine advertising of the Fox Footy Channel. The total expenditure on this campaign was [CONF]
- (d) **Perth outdoor campaign.** This campaign involved outdoor advertising in Perth to promote FOXTEL's sponsorship of the Perth Glory (a team in the A-League competition) and the Western Force (a team in the Super 14s competition). Both competitions are broadcast on Fox Sports. The expenditure on this campaign was [CONF] with an additional [CONF] of installation costs.
- (e) **North Ryde outdoor campaign.** This campaign involved a series of outdoor advertising on bus shelters around FOXTEL's offices in North Ryde. A mixture of channels were promoted, some in basic and some not. The early part of the campaign promoted Rockstar which is broadcast on Fox 8. The expenditure on this campaign was [CONF] with an additional [CONF] of installation costs.
- (f) **mX campaign.** This campaign involved advertising on the television listings page in the daily commuter newspaper mX. A range of programs were promoted, some of which were in basic and some of which were not. The total expenditure on this campaign was [CONF]
- (g) **UKTV campaign.** This campaign involved press advertising to promote Super Nova, a locally-made program broadcast on UKTV. The total expenditure on this campaign was [CONF]
- (h) **Gold Coast Beauty and the Beast campaign.** This campaign involved promoting the recording of an episode of Beauty and the Beast, which is broadcast on W, on the Gold Coast, with the aim of attracting an audience for the recording. The total expenditure on this campaign was [CONF]
- (i) **Antiques Roadshow campaign.** This campaign involved promoting the British *Antiques Roadshow* program, which is shown on *The LifeStyle*

Channel, which was recording a series of episodes in Australia. The total expenditure on this campaign was [CONF]

- (j) **Super 14s campaign.** This campaign involved television and press advertising to promote the Super 14s coverage available on Fox Sports. The total expenditure on this campaign was [CONF]
- (k) **NRL campaign.** This campaign involved television and press advertising to promote the NRL coverage available on *Fox Sports*. The total expenditure on this campaign was [CONF]
- (l) **AFL campaign.** This campaign involved television and press advertising to promote the AFL coverage available on the *Fox Footy Channel*. The total expenditure on this campaign was [CONF]

Point of sale marketing

- 17. At pages 4 to 6 of APW1 is a spreadsheet setting out FOXTEL's point of sale marketing campaigns for the 2005/2006 period. I have reviewed the spreadsheet. I have marked the campaigns which relate in whole or in part to a single channel in basic with a "—". The majority of these campaigns were sports campaigns which related to promoting coverage on *Fox Sports* or the *Fox Footy Channel*. The total of the campaigns which I have marked with a "—" is [CONF]

Direct mail marketing

- 18. At page 7 of APW1 is a spreadsheet setting out FOXTEL's direct mail marketing campaigns for the 2005/2006 period. This spreadsheet shows that FOXTEL's total expenditure on direct mail marketing in the period was [CONF]
- 19. None of FOXTEL's expenditure on direct mail marketing in 2005/2006 period related solely to a single channel in FOXTEL's basic package for the reasons set out in paragraph 13 above.



ANTONY PETER WARNE

APW August 2006