

choice

ANNUAL REVIEW 2011

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Despite a slowing economy, CHOICE had a good year, showing growth for the first time in three years.

We have had an intense period of investment in ensuring the fundamentals are right for the organisation as well as innovating for the future. The Development Fund, an innovation in itself, has helped to liberate new ideas and ways of doing things at CHOICE.

Investment in our future has required organisational transformation; from new, stable and scalable IT platforms, to state-of-the-art labs. And unlike current trends in media we have invested heavily in our products, with extra resources and value being added to our magazines and website every month.

It has taken us two years to complete this first phase of organisational transformation and we are now better able to take on the challenge of step-change growth and nurturing new ideas and innovations for membership.

This year we launched the Better Banking Campaign and with that a

A transforming year

This year saw growth in both revenue and reach, as well as completing phase one of reforming the organisation



high-profile involvement in a series of banking reforms – including ensuring the ban on mortgage exit fees happened, and influencing the Bernie Fraser review of bank account portability. We also recruited a full campaigns team, which has enabled us to campaign on food labelling and environmental sustainability, both issues that came out top in our members survey.

Our media profile has never been higher, helped along by the controversial Shonky Awards, the Better Banking Campaign and the retail battle between bricks-and-mortar stores and the online environment, that Gerry Harvey helpfully ignited before Christmas last year.

This year we have placed a high priority on increasing awareness of CHOICE in the community and ensuring that all the arms of the organisation are recognised together.

Being Australia's best-kept secret is not on our agenda! I'm pleased to report that overall spontaneous awareness among those who have never subscribed has climbed from 25% to 32%. The challenge is now to attract them to becoming members.

Last year we started lab tours for members and the public, which by popular demand are now weekly events. Members also have my email and phone number and I'm pleased to say both are used regularly. We also carried out a series of roadshows around the country and I have spoken at every community event that members have invited me to.

Reaching out to members through face-to-face engagement has given CHOICE more insights into how we can improve, and relentlessly delivering for members is our mantra.

Nick Stace, CEO

Campaigning for a better Australia

CHOICE reflects on a year of successful campaigning as we take on more staff, the Big Four banks, the Big Two supermarkets, and food labelling



CHOICE launches the People's Watchdog identity by delivering letters to banks

The major initiative and our greatest success this year was the Better Banking Campaign, which helped deliver lasting reforms and greater competition.

The plans were already well developed when the Commonwealth Bank decided to increase mortgage rates above and beyond the Reserve Bank's increase on Melbourne Cup Day 2010.

The firestorm of criticism of the Big Four banks provided significant momentum for our campaign. We launched the campaign, and the new People's Watchdog brand, with some hounds in Martin Place helping deliver letters to the banks' CEOs.

We staged a series of public events on the Gold Coast and Melbourne to collect consumers' opinions and prepared a major document with more than 15 recommendations which we presented to key politicians, including the Treasurer in Canberra.

The campaign included a Compare, Switch and Ditch online tool which allows price comparison of financial

products such as accounts, credit cards and mortgages. In one month it attracted more than 50,000 visits.

We have also been involved in the foundation of the Australian Financial Integrity Network, or AusFin, which includes other consumer groups, the ACTU, and industry super funds.

Other spearhead campaigns have involved a significant effort to change food labels so they really reflect what is in the packet and where the ingredients come from. We prepared a major submission to the government inquiry into food labelling and have followed up with targeted lobbying and public-facing campaigning.

Another major effort involved supermarkets and our ongoing campaign to push for greater scrutiny of the market power of the Big Two outlets. And we partnered with the Australian Food and Grocery Council to renew our call for a supermarket ombudsman.

We also prepared a submission and appeared before a Senate inquiry looking into the effects of the milk

price war, arguing short-term discounts could come with medium-term costs for consumers due to less competition in the retail sector.

Other submissions and interventions pushed for pro-consumer changes in various markets including telecommunications and a major regulators inquiry into service standards; issues around the secondary market for tickets to sporting, music and other events; and price signalling involving banks.

The floods in Queensland and elsewhere led us to push for improvements around the disclosure and definitions of various kinds of cover in domestic insurance policies.

The newly formed campaigns and communications team completed its recruitment with a dedicated campaigner and three policy advisors.

Our special thanks go to Richard Lloyd, who was on secondment at CHOICE before he returned to the UK to work for our sister consumer group Which?, for his great leadership in the Better Banking Campaign.



Miele's Iris Schaden celebrates

The CHOICE Awards

As well as exposing shonky practices, CHOICE believes it is important to highlight those businesses and individuals who treat their customers well and fairly – and so the CHOICE Awards were born.

The winners are chosen by a group of experts in the relevant fields or by a popular vote of CHOICE members.

The awards covered bricks-and-mortar as well as online retailers, washing machines, TVs, banking and restaurant hygiene rating schemes.

Bunnings won the People's CHOICE award for best bricks-and-mortar retailer, with eBay winning best online retailer. The best-value mobile phone provider was TPG, Miele was the best washing machine brand, NAB Classic Banking the best low-fee bank account and UBank USaver the best online bank account.

Adam Brimo was named a Consumer Champion for his Vodafail website and lawyer Denis Nelthorpe was given a Lifetime Achievement Award for his work in helping vulnerable consumers.

CHOICE in the media

CHOICE works hard to make sure as many people as possible hear our messages through external media

Red-hot issues receiving extensive media coverage in 2011 included the rise and lack of transparency around surcharging, bricks-and-mortar versus online shopping, country of origin labelling and the Future of Financial Advice (FOFA) reforms.

Our report which named Hungry Jack's Ultimate Double Whopper as Australia's fattest takeaway food, and reports on pillows, health insurance and social media group buying

sites gained strong media attention, while our review of hi-tech shopping gadgets, the report on steak and the investigation into the true value of frequent flyer points also received significant exposure.

Our Better Banking, Better Food Labelling and energy campaigns, as well as the CHOICE Big Bank Switch, gained nationwide coverage.

Media coverage for the year has an advertising dollar value of approximately \$84 million.

THE SHONKYS 2010

The Shonky Awards, now entering their sixth year, highlight the dodgy, deceitful and even dangerous goods and services tested by CHOICE.

Last year, supermarket giant Coles received a Shonky for their \$10 meal deal, which failed to include the cost of many "pantry items" which totalled close to \$30.

The Commonwealth Bank's standard awards card, found to deliver only paltry points, scored a lemon and Nurofen won for its customised medication marketed to target back, migraine and other types of pain. The pain relief products contained identical ingredients and the only difference was the labelling.

Power Balance Band, the plastic wristband heavily promoted by sports stars, claimed it gave wearers better balance, strength and flexibility. Our tests proved it did nothing of the sort.

A rope which looked like braided climbing rope that came with a label saying "designed for outdoor recreational use" was exposed as potentially dangerous as it had no more strength than a shoelace.

The Shonkys are a powerful disincentive to those who would seek to take consumers for a ride.

THE PEOPLE'S WATCHDOG

choice



A greener ride?

We drive home the facts and figures behind the ethanol debate.



Feeling cheesy

Which cheddar, white mould and blue cheeses should be on your pantry planner?

Lab tests

Coolers
Portable air-conditioners
117cm TVs
Home theatre systems
Multi-function printers
Stick vacuum cleaners
Washing machines

Cut! That's a lemon

SHONKYS 2010

The year's dodgiest products, services and companies

PLUS

Getting top dollar for your gold jewellery

What are the safest second-hand cars?

45 home and contents insurance policies compared



286 PRODUCTS RATED!

Wines: The best reds and whites for the holiday season

Product testing you can trust

Our expert product content team delivers unbiased tests for a wide range of products



Testers (from left) Graham Byrne, James Thomson, Antonio Bonacruz and Fiona Mair at work in the CHOICE laboratories

The Product Content and Testing (PCT) team produced a record 139 tests over the past year (up from 125 in the previous year), testing goods worth nearly half a million dollars. We'll continue to streamline our processes, so we can bring you the test results for more models faster.

Over the year, PCT tested everything from a \$5 tyre pressure gauge to \$3500 refrigerators and TVs, while maintaining the standard of quality testing for which CHOICE is known.

We've expanded our testing of baby and kids products and brought in another tester to handle this increased workload. We commissioned and built a new sound room to help us expand our testing of sound-related products for the homes of the future, as well as making testing for sound levels on products such as fridges more efficient.

Our labs maintain NATA registration for a wide variety of product tests, as well as our internal calibration lab, and we've been doing quite a bit of work for government regulators, checking

energy label claims and doing other energy-related testing. Apart from the additional income this provides, it also is an indication of the confidence the government has in our expertise and processes.

Not all our testing is done in-house; products such as heating and cooling products or cockroach killers require specialist labs and we contract out these tests to expert external facilities, which conduct them to our very stringent quality requirements.

And not all of our tests are conducted in labs. Staff can be found all over Australia testing out car GPS, tyres, mobile phone signals or lawn mowers.

We are closely aligned with Consumer New Zealand, who rely heavily on us for the majority of their testing. And we're a member of International Consumer Research and Testing, which conducts joint testing on products such as digital cameras and mobile phones for consumer organisations around the world – making it possible for us to cover a large proportion of these markets.

Top 10 products online

- 01 Washing machines
- 02 Dishwashers
- 03 Fridges
- 04 Compact digital cameras
- 05 GPS car navigation
- 06 Electric heaters
- 07 Espresso machines
- 08 TVs
- 09 Vacuum cleaners
- 10 Digital SLR cameras



Bringing new members to CHOICE

The marketing team put a great deal of effort into making sure that Australia is aware of CHOICE and everything it does, as well as growing our membership

The focus of the past 12 months was to grow our membership across all our products – as well as ensure CHOICE’s voice is heard by the Australian public.

Priority was placed on increasing awareness of the CHOICE brand in the community and ensuring that all arms of the organisation are recognised together. Significant resources were invested to manage and execute this initiative, and in October 2010 the tag line The People’s Watchdog was launched after an extensive brand review and research project. This positioning successfully aligns the product testing and advocacy sides of CHOICE.

The great news is that our efforts have certainly improved our presence in the community with overall spontaneous awareness of CHOICE among those who have never subscribed increasing significantly from 25% to 32%.

Our marketing and campaigning drove strong recognition of CHOICE in the news media with 40% of adults having recently seen or heard CHOICE mentioned. CHOICE remains well regarded in the community, which is reflected by the proportion of people (24%) who would consider a CHOICE membership in future.

Other brand activities included the second annual CHOICE Awards and the fifth annual Shonky Awards.

The Shonkys has become a widely recognised brand in its own right and generated enormous media exposure, as well as driving exceptional traffic to our website and attracting new subscribers.

The CHOICE Awards also came into its own in its second year, delivering an industry night providing extraordinary credibility to the brands of winning products and services. The subsequent advertising and publicity efforts from successful recipients who were able to use the CHOICE Awards logo in their marketing campaigns ensured significant awareness of CHOICE among shoppers.

Traditionally, CHOICE has been recognised for its flagship magazine. However, this year saw CHOICE Online and CHOICE Plus recording the highest growth with CHOICE Online now significantly leading the product mix of our membership.

Our acquisition planning involved a move towards digital initiatives such as

Key improvements in service delivery included boosting the resources in our Customer Service area, combined with a dedicated program to up-skill staff and ensure they were appropriately trained to efficiently deal with our members’ email, phone and mail enquiries.

Major system changes were also implemented to ensure we could

Our CEO was swamped with requests from members to tour the CHOICE labs, meet the testers and take a sneak peek behind the scenes

search engine marketing and display advertising, which drove a significant proportion of new memberships across these product types. Radio, newspaper and direct mail incentive campaigns were utilised to drive magazine memberships, although a heavy concentration of these publication-only memberships also arose from the popular iSubscribe website.

Across our existing membership base, a number of initiatives were undertaken to engage and retain loyal subscribers, as well as re-sign lapsed members. Our CEO was swamped with requests for laboratory tours and many members enjoyed meeting our testers and taking a sneak peek behind the scenes at CHOICE.

Significant effort was put into a telemarketing campaign aimed at lapsed members, as these returning customers are a vital and strong element of our circulation.

better monitor the quality of our communications, and focus more on understanding the varying needs of our subscribers.

Our renewal planning cycle was also reviewed and streamlined, to better accommodate members’ desire for timely communication in their preferred format.

The CHOICE marketing team (clockwise from centre) Kate Lalak, Danielle McKenna, Patrick Jennings, Katherine Gatfield and Kim Anderson



CHOICE magazine

With a fresh look, the organisation's flagship title and the team behind it are ready to take on the world

While many publishers have stepped back from their print publications, CHOICE has invested heavily in its flagship magazine, freshening up the offering, ensuring its continuing relevance in an ever-changing media landscape.

The first step in the magazine renovation process was a redesign. Launching with the May issue, the look and feel of the magazine was refreshed with a focus on providing clear and concise information in an engaging and relevant format. Maintaining the magazine cornerstones, a new section – Ask the Experts – was added.

In line with plans to bring the online and print arms of the organisation closer, these departments were restructured, providing a strong foundation for CHOICE's future media needs. This new structure sees

centralised content and delivery teams working across all media.

While tests continue to be an important and popular part of CHOICE's content, many other stories resonated with readers.

Money stories talked, from gauging how satisfied people are with their bank to the downside of gift cards. And we found many members so savvy about their purchases that when we did a callout for the oldest appliances still in use we turned up plenty, including a 1936 telephone!

Group buying and online shopping were both popular. And it would seem many members are still searching for a good night's sleep with our story on mattresses getting plenty of feedback.

Other articles saw us exposing the high number of shonky solar installations, and some of the more outrageous clauses in car rental



CHOICE magazine's June issue won a Maggie award for best magazine cover

contracts. The good, the bad and the ugly of fast food and whether the landline is still necessary were there too.

In an effort to bring together the many different parts of CHOICE, a new logo was created, giving us the umbrella under which to unite all the CHOICE elements – online, print, mobile and campaigns.

Top 10 magazine articles

- 01 Shonky Awards 2010 (Nov 2010)
- 02 Supermarket brands vs market leaders (Pt 1) (Sep 2010)
- 03 Landline vs mobile phones (Mar 2011)
- 04 Supermarket brands vs market leaders (Pt 2) (Oct 2010)
- 05 Extra virgin olive oil (Jul 2010)
- 06 Appliance reliability (Mar 2011)
- 07 2011 CHOICE Awards – People's CHOICE: Best Retailers (Apr 2011)
- 08 2011 CHOICE Awards – Best TV Brand (Apr 2011)
- 09 Breakfast cereals (Feb 2011)
- 10 Made in Australia (Sep 2010)



2011 CHOICE covers

The cover is the magazine's shop window – announcing what is in the issue and encouraging readers to pick it up and start reading. Here's how the organisation's flagship title looked over the year.



CHOICE Computer

The award-winning consumer technology title continues to ask the kind of questions others avoid

One thing that sets CHOICE Computer apart from other technology magazines is its commitment to putting products to the test and answering the questions that others don't even ask, such as "Which inkjet printer won't bleed you dry?"

This year we investigated a major bugbear and a financial hurdle for many consumers – the cost of running a personal printer. None of the makers' figures add up and it's only by testing that we could find out. We then took it a step further to look at alternatives by comparing inkjet refill products and services, and showed consumers how to save a bundle on ink bills.

CC's emphasis on "real world" tech testing also extended this past year to portable storage devices, which we dropped, washed, baked and even ran over with a car to see which could

withstand the rigours of everyday use. The results were surprising, with some of the cheapest devices outliving some of their "ruggedised" cousins.

Reliability and value go hand-in-hand and our biennial technology reliability survey revealed which gadgets served our members best – laptops, monitors, desktop computers, printers and external hard drives. We also tested mobile broadband options from the big ISPs and found out that the similarities stopped at the pricing.

Our biggest ever test of security software covered 25 suites, and we tested backup software and photo management programs, and looked into the dangers of online shopping, among other topics. We also kept readers up to date with the latest on e-readers and the biggest new trend in tech – tablets.

Our commitment to offering the best in consumer tech news, reviews,



help, tests and tips was rewarded once again this year with CHOICE Computer taking out the top gong at the IT Journalism Awards for 2010, outpacing technology titles across Australia in both consumer and business categories for an unprecedented third consecutive time.

CHOICE Online

The CHOICE website continues to grow as we make more improvements to the look and usability

We continue to receive a good amount of feedback from members about our website and, based on this, we have worked hard to improve the site's design, usability and functionality.

We have improved our search engine optimisation, which has led to an increase of more than 30% extra visitors to the site this year. Visitors are staying longer on the site and viewing more pages than before and our online membership is rising.

Washing machines, fridges, dishwashers and cameras continue to be our most popular articles online, joined in the top 10 this year by newcomers, e-readers and solar panels.

We have entered into several content

partnerships this year, sharing our free content with high-traffic sites such as NineMSN and Kidspot, Australia's leading parenting website. As part of our Compare, Ditch and Switch banking campaign we partnered with Mozo, making it easier to compare the rates and fees of all the financial institutions, and find the best banking deal. We continue to partner with Getprice, allowing our members to research their product and then complete their purchase online.

Our presence on social media continues to grow, with our Facebook fans increasing by 77% and Twitter fans by 53% between January and mid September this year. Our recently introduced Share and Like buttons allow our users to easily share our

content with their social networks and our Facebook community has become more engaged, talking to us and each other.

Our blogs are proving popular with members and non members, and provide an opportunity get to know the CHOICE team.



Financial summary

Enjoying revenue growth for the first time in three years is a great achievement in these uncertain times



We continue to look for creative and innovative ideas, either in campaigning or in membership services

In spite of continuing uncertainty in the economy and a fall in consumer confidence over the year, the company enjoyed its first year of revenue growth for three years.

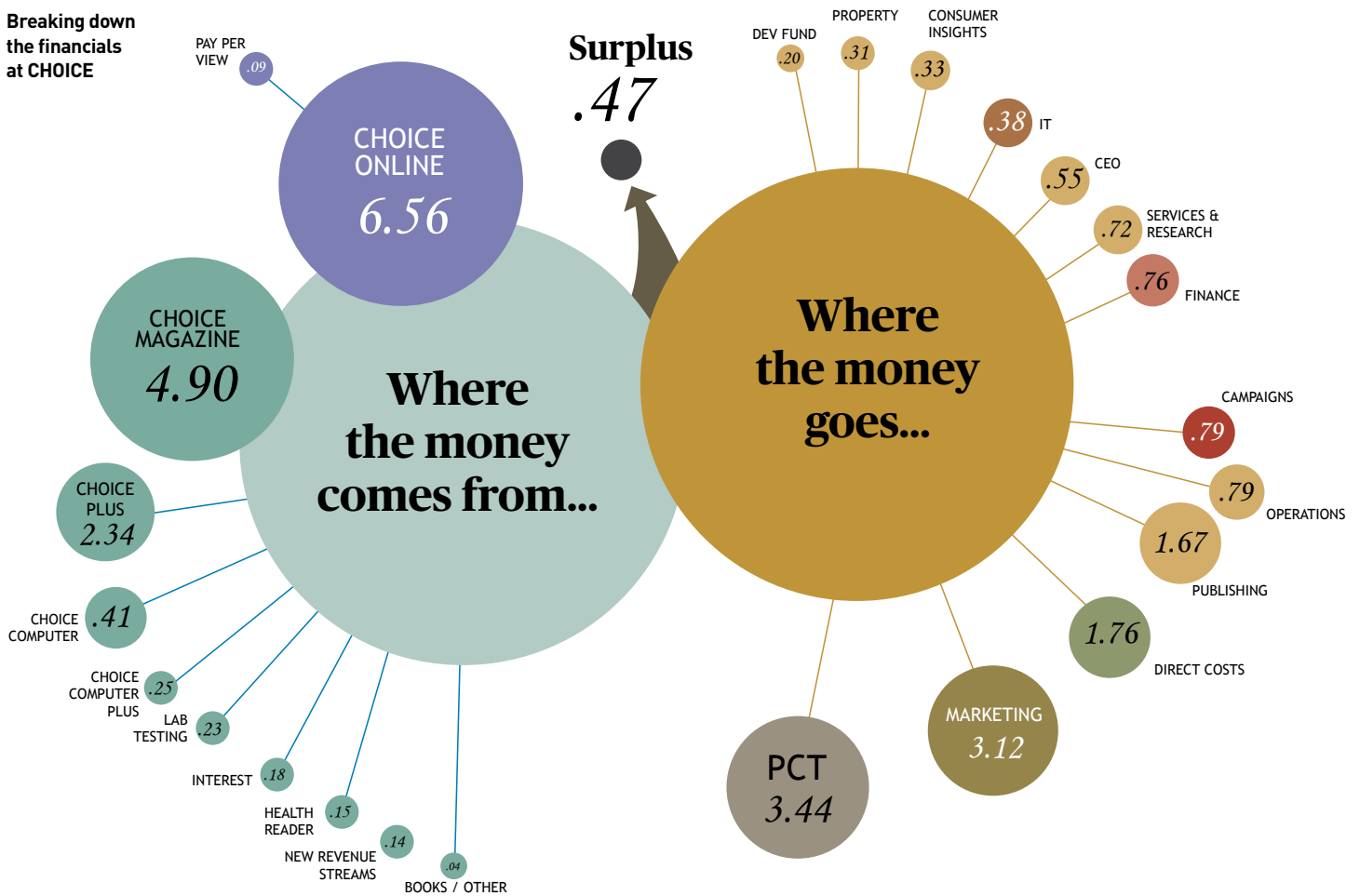
As outlined in last year's report, significant investment has been made in the building and laboratories, the implementation of new IT systems and a people and purpose strategy which is now yielding good results, setting a good platform for the future.

While the company enjoys growth in a number of our core products, we continue to look for creative and innovative ideas, either in campaigning or in our membership services. The provision of a Development Fund has enabled a culture of innovation and creativity and has resulted in the roll-out of enhanced products and services for members and new campaigning initiatives.

The company announced some enhanced offerings to our members including online price comparison and fulfilment opportunities, providing members with an end-to-end online experience, as well as the launch of the CHOICE Recommended scheme, helping consumers make decisions at the point of sale. Importantly, many of the new initiatives would not be possible without the right partners, and partnerships in this area of innovation will continue to play a part in the company's future.

	YEAR ENDING 30 JUN 2011 (\$)	YEAR ENDING 30 JUN 2010 (\$)
Revenue	15,107,862	14,905,516
Less: direct costs	(1,755,410)	(1,887,848)
Less: operating costs	(12,864,724)	(13,089,464)
Plus: non-operating revenue	185,615	162,331
Plus/(Less): non-operating items	(204,308)	(99,048)
Net surplus	469,035	(8,513)
Current assets	3,947,598	4,292,034
Non-current assets	11,723,000	10,697,523
Current liabilities	(6,305,754)	(5,738,151)
Non-current liabilities	(398,404)	(962,346)
Net equity	8,966,440	8,289,060

Breaking down the financials at CHOICE



MEET OUR COUNCIL



Jenni Mack (chair) is a long-serving consumer advocate. She is director of the Financial Ombudsman Service and Food Standards Australia New Zealand and chairs the ASIC Consumer Advisory Panel.



Rachel Dixon (deputy chair) is head of enterprise and client services at Viocorp and principal of Handshake Media. She is also a board member of the Australian Centre for Advanced Computing and Communications.



Sandra Milligan is managing director of a publishing business and was co-founder of *The Good Universities Guides*. She's served on a range of public committees in the areas of education and consumer and women's interests.



Ian Spight was managing director of Thomas Cook's Australasian businesses and a finance director of Midland Bank. He is now the MD of a family company offering travel agency and currency exchange services in NSW.



David Marcus has been involved in consumer policy and advocacy since 1979 when he worked for the then-Shadow Minister for Consumer Affairs as advisor on national consumer policy.



Frank Muller is a professorial visiting fellow at the Institute of Environmental Studies and commissioner of the National Transport Commission. He has a 36-year career in environmental, energy and land use policy.



Nicole Rich is director of research and communications at Victoria Legal Aid. She was the director – policy and campaigns at the Consumer Action Law Centre from January 2007 to May 2011.



Charles Berger is director of strategic ideas at the Australian Conservation Foundation. Chuck was also ACF's legal advisor for four years, and has worked as a lawyer in private practice in New York and Brussels.



Bill Davidson is currently CEO of Job Futures and has operated at senior management levels in the managed services industry. He was co-opted onto the council in November 2009.



Peter Bray is the national vice president of the Australian Interactive Media Industry Association. He founded digital agency Clear Blue Day, where he worked with both the not-for-profit and commercial clients.