

A BRAND MARKETER'S PRACTICAL GUIDE TO TV SHOPPING CHANNELS

by Ted Simon, March 2008

Many “traditional” marketers (you know who you are) view the unique channel of “TV shopping” with a quizzical look on their face. Oft times that look is accompanied by doubt (“products sold through *that* channel can’t be very good...”), curiosity or confusion (“I wonder how that *works*...”) and yes, sometimes skepticism or arrogance (“that can’t *really* work...”). This paper is intended to answer some of those quizzical expressions and questions, and provide an overview for brand marketers on the practical matters of securing distribution and generating sales via the TV shopping channel networks.

WHY CONSIDER TV SHOPPING CHANNEL: BIG AUDIENCES...BIG SALES

First thing you should know: the TV shopping channels are huge. There are several players in the TV shopping channel category, but the two gorillas in the segment are QVC and HSN. For simplicity’s sake, I’ll focus my comments on these two as they account for over \$10 billion in sales on their own.



QVC (a wholly owned subsidiary of Liberty Media) reaches over 96% of U.S. households and 166 MM households worldwide. A 2005 study determined it is the second largest U.S. television network in terms of revenue behind CBS. QVC’s worldwide revenue totaled over \$7 Billion in sales in 2006 (with over \$1 Billion through its online subsidiary, QVC.com),

HSN (owned by IAC, but scheduled to be spun off in summer 2008) was the originator of electronic retailing when it launched in 1977. The company is slightly smaller than QVC, but by no means a small player. The HSN network reaches over 89 MM U.S. households, making it the 4th largest cable network in this country. HSN reported annual sales of \$3.3 Billion for 2006.

In terms of customer management, last year QVC received close to 179 million phone calls in the U.S. alone and shipped more than 165 million packages worldwide. Its worldwide reach exceeds 166 million households, and QVC boasts having sold product to over 45 million people worldwide.

HSN is smaller in scale, but by no means insignificant – they handled more than 52 million calls last year. As you might imagine, the audience is predominantly female (around 80%), but it might surprise you to learn that this is a relatively well-off audience. For example, the average household income for HSN customers is around \$60K (vs. national average of \$44K) and 87% own their homes.



These two electronic retailers are major players when it comes to featuring products. QVC will present more than 1600 products each week on TV to its customers through its various programs and hosted shows, averaging 250 brand new products per week. Well known brands such as Bose, Dell, Bare Minerals and philosophy, to name a few, can be found on QVC. HSN offers its customers over 25,000 products across a range of categories, including recognized leaders such as Sephora, Canon, Samsung, Reebok, Cuisinart and Hoover. So, it’s clearly not just niche products being sold through these channels.

To put all this in perspective: QVC net sales last year were greater than many well-established traditional retailers. The company’s 2006 sales surpassed those of Saks Fifth Avenue and Neiman Marcus...combined. No wonder marketers are interested.

IF THE CHANNEL FITS...

Clearly, this distribution channel represents a great deal of potential for the right product/brand. It’s an opportunity to further brand exposure and generate relatively efficient revenue for resources expended (no slotting allowances, no retail shelf danglers or floor displays, no media buys). It’s also a measurable and extremely accountable form of marketing.

A starting point in thinking about the TV shopping channels is to think of them like another retail distribution channel. Many of the decisions and challenges you will face will be similar to selling into any large retailer (getting buyer acceptance and support, meeting their requirements, inventory management, etc.). Where this channel differs from the “traditional” retailer is in the direct selling aspect and direct response nature of their business model.



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Here are a couple questions to ask yourself as you consider pursuing this distribution channel for your brand(s).

- ◆ **How does this channel fit into your brand's marketing strategy?** If you have a DR oriented strategy, the TV shopping channels are definitely worth considering. This is a direct response channel, so you can readily track your performance and ROI.
- ◆ **Does my brand or product fit for this DR channel?** Pretty much any product that could be considered a good candidate for direct response marketing is a good candidate for this channel. There are a number of online resources that you can use to help you ascertain if your product fits the "DR profile." Here's a simple, free ["DR product evaluator"](#) created by Hawthorne Direct (one of the country's major direct response agencies) to get you started. I'll discuss some of the other things you should consider related to "fit" for TV shopping in a later section.

Keep in mind that not all products are meant for this channel, so don't try to force fit your product. At the same time, if there looks to be potential, this could be a nice part of your overall strategy.

In this segment of the direct response business the channel will know very quickly (as will you) if you are delivering the expected revenue for time on-air. It's their business and they are very good at it. These people have this down to a science and will literally track your sales rate down to the minute. You will know within moments of airing how your product and segment performed (although higher priced products will often experience some "drag" or "lag" sales in the days/weeks following an airing).

As a general rule, these retailers will give a product 2 to 3 airings (depending on price point) to prove viability. Of course, if you don't hit the targets, you may find you are soon on the outside looking in. It's the nature of the channel, so be prepared.

GETTING YOUR FOOT IN THE DOOR

Securing distribution on QVC or HSN takes a lot of the same work required to secure distribution with any retailer. These two retailers are bombarded by applications and people seeking to secure time on their shows. Submitters range from Fortune 1000 corporations to individual entrepreneurs. Wherever you fit on that spectrum, you will need to make a clear case as to why they should select your product(s) over the thousands of other submissions that they receive.

To get onto the playing field (on-air), here's some things you will need to do and consider:

- ◆ **Make sure you have a differentiated product offering.** In general, while these retailers do want to offer variety, like any retailer they tend to limit the number of sku's in certain categories/price points. Look at the current assortment in your category and make sure that you have a basis for differentiation vs. existing offerings. This is Marketing 101, but it's something to keep in mind as you evaluate this channel and seek to gain distribution.
- ◆ **Find the right buyer.** Both companies have online forms to facilitate product submissions, but is that how you would sell into Best Buy or Kroger? The trick is to find the right buying team, and like so much of what we do the best way to do this is via networking, introductions from a shared contact, etc. This alone can be a long, arduous process, but in the end it should save you time and give you a better shot. And, even after you find the right buyer, get an internal advocate, secure buy-in...that's just the start.
- ◆ **Prepare a lot of supporting data and paperwork.** As with any retailer, you will need to go through a pretty rigorous set up process. This process is even more detailed and extensive because as a TV network, there is a different set of liabilities for these retailers than bricks & mortar. What they say and claims made on-air needs to be supported by impeccable underlying data. Depending on your product category, that can include an extensive review by the network's QA team — not only do you need to stand behind what you say, they need to do so as well. This is especially true for any products that make health or medically related claims. These retailers often have their own guidelines regarding claims. Even if you have FDA or FTC clearance, these companies may require you to pass their own scrutiny and standards. Net: have your data well prepared and be ready to make your case...if you have bulletproof supporting documents, it will greatly help facilitate the process.



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- ◆ **Determine an aggressive pricing/promotion strategy you can live with.** You will find a wide range of product pricing on TV shopping, from \$19.99 to \$1,999.99. Regardless of price point, this channel thrives on giving their customers unique products at the best prices. So, be prepared for them to look to get below your every day selling price on the shelf (if you have a retail presence) and ask you for really aggressive pricing. You may also need to create a multi-payment option (“Just 3 easy payments of...”) or a special offer or product “package” to help promote the sale and get people to pick up the phone or go to the Web site to order. Giving advance thought to these items may save you time and expedite your success.
- ◆ **Consider launching via this channel.** If you are a new product, you may have an advantage. This channel loves to offer a unique, new offering to its customers...it adds to the exclusivity and the “buy now!” efforts that drive their model. So, before you rush to secure retail shelf space, give some thought as to whether you may want to launch through this channel first (and go to the shelf second). More on this below.

Warning: The process is rarely linear -- you may get bounced around, delays may creep in or they may ask for more information or claim substantiation. And, you may find that these retailers require you to make changes in your packaging, collateral, etc. based on their comments and standards. So, keep your bottles of antacid and ibuprofen nearby; learning to meditate regularly will also help you stay sane as you navigate what can be a labyrinth process.

SIMILAR, BUT DIFFERENT

Much of the marketing and operational effort is similar to marketing a brand in other channels. The TV channels will purchase your product, and they will fulfill customer orders through their systems. You should expect your agreement to include a clear returns clause stating that if the product fails to move at acceptable rates, they will ship it back to you. Margins may vary by product category.

Like many retailers, this channel has “placement clout;” they will decide where you run based on their experience and show offerings. This is especially the case for new products without much track record. Of course, you can make suggestions, but until you demonstrate some success on-air, you should have realistic expectations as to how much you can impact this facet. But, keep in mind, these folks know their business and they want to move product; their goals and yours are aligned.

There is also a key difference – this is a direct selling channel on live TV. Some of the keys to your success in assuring a good “fit” for this channel, securing time (i.e., distribution), creating a strong on-air program for your brand and moving some product will include the following:

- ◆ **Is your product well suited for direct response?** See my comments on this above.
- ◆ **Do you have a good story to tell?** Not only do you need a good story, you need to tell it in a way that compels people to act (pick up the phone or go to the Web site to place an order).
- ◆ **Do you have a good spokesperson to tell that story?** While the TV channel has a host they provide for each show, you will need an on-air “spokesperson” to partner with this host. This is often the founder (who has the passion for the brand), but can be a celebrity or someone else involved with the product who lends credibility and enthusiasm to the presentation. Ideally, this will also be someone that the audience will “connect” with or relate to in some way. Keep in mind that these shows are live TV, with no rehearsals or teleprompters...your spokesperson should be media savvy and comfortable in performing in this kind of environment.
- ◆ **Do you have testimonials from real users that will help lend credibility and “reality” to your claims?** If so, great...use them. If not, you may be well advised to explore developing real user testimonials for your product...they really aid the effort.
- ◆ **Do you have any other assets you can use on-air (before/after shots, product demos, film that illustrates how the product works, etc.)?** These can help communicate your story in a compelling and meaningful way.



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- ◆ **Will the combination of the above lead to an emotional connection with their viewers?** This host/product/audience chemistry is often a key element that prompts a viewer to pick up the phone or head to the Internet to buy.

This may sound simple on the surface, but it takes a lot of work to create the right story, pitch and product mix to make your venture a success. It takes willingness to devote some resources and time to do it right. But, as brands like Bare Minerals or Bose will tell you, that time can be well worth it. And, as noted above, the TV channels have a vested interest in your success and vast experience in their medium; they will provide a lot of assistance if you come well prepared and have good assets to work with.

One other key item: **Can you offer the TV shopping channel a unique product, sku or package, or better yet, the opportunity to be the first to sell the product?** These retailers prefer product offerings that people cannot just buy off a shelf somewhere, so keep that in mind as you approach them and give thought as to how you might package your offerings in a way that will be exclusive to this channel.

BEYOND THE AIRWAVES

The question often comes up: do retailers value the fact that a product is airing on QVC/HSN, or do they resent it? A corollary to that question is: Should I get retail distribution first, or secure placement on the TV channel before proceeding to retail?

The answers to these questions are not absolute or clear cut – they depend on your strategy, resources, brand, product life stage, etc. Here are some things to think about:

- ◆ **TV shopping channels like to be the first to break a product to the mass market.** In fact, if they are serving to announce a new product, they will provide extra support and effort to help make it a successful launch. They have a vested interest in this success, which makes for a nice win-win. So, if you have a new product you are preparing to launch, and you feel that it could sell via direct response tactics, you may want to consider launching via this channel before you go to retail.
- ◆ **TV channel success can be leveraged to the bricks & mortar retail channel.** If you have successfully demonstrated that there is consumer demand for your brand via strong sales in the TV channel, you have a great selling story to take to retailers. In fact, many retailers like it when companies come to them with a direct response marketing component as this advertising can often help drive retail sales.
- ◆ **Keep a “unique” product offering (sku, “package”, etc.) for TV that is separate from what’s sold at retail.** Whether you are launching a new product or extending a well-known brand into the TV channel, maintaining channel integrity will be important for both channels. So, keep this in mind going in...it will save you headaches later on.

It's interesting to note that bricks & mortar retailers are becoming more accepting of the TV shopping channel. This is supported by the fact that more of them are expanding into the channel themselves, hosting their own shows on QVC and HSN to help expand their reach and audience.

For those who have the right product and a willingness to look past old stereotypes and embrace a direct response approach, the TV shopping channel holds tremendous potential. Major brands like Bose, Dell, Sephora, Canon, Samsung and Cuisinart have learned this. Maybe it's time you did, too.

Ted Simon is a marketing executive and consultant with over 25-years experience in consumer marketing, building brands and generating sales across a wide range of categories, including food, beer, software, interactive games, e-commerce, OTC medicine and personal care devices. Having spent his career in brand marketing, Ted is a convert to the potential of Direct Response and the TV Shopping channel. A member of the Marketing Executive Networking Group and The CMO Club, Ted resides in the San Francisco Bay Area and can be reached at tedsimon@gmail.com. Visit his web site: www.tedsimon.com.

