



Cracking the Buyer Code at Live Shopping Networks

Since year 2000, the live TV shopping industry has experienced impressive growth with sales climbing from \$5 billion to \$7 billion. While that's nothing to sneeze at, it's still a niche market compared to the vast brick and mortar and complementary e-commerce space. Still, the promise of tapping live TV shopping's loyal and active customer base is alluring, and more so than ever before.

Vendor success stories can have a real rags-to-riches quality. Take handbag designer duo Lisa Roberts and Annie Hendrickson of Minneapolis-based The Find, for instance, who scrapped plans to take their boutique national via traditional means, such as selling through more specialty stores or getting picked up by a national high-end retailer. They went the DR way on home shopping and after only six months of being on-air, their small business has been transformed into a multimillion-dollar concern.

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With more and more vendors seeing the light of day on live TV shopping, success stories like The Find are capturing the attention and opening the minds of others seeking to hit the jackpot or simply willing to dip their toe into alternative retailing waters. Yet to penetrate, let alone navigate, this attractive market is not as simple as what meets the eye,

because you don't just place an order with the buyer and call it a day.

So how do you get your product in the door and keep on selling? Whether you're an inventor, a small business or an established brand, grooming your product for entry into live TV shopping requires the right kind of merchandise, a blend of marketing and media savvy, an understanding of the players and their core audience, and, probably most important, an inside track. And the inside track starts with the buyer. But that's getting ahead of ourselves.

THE RIGHT PRODUCT

Since the live TV shopping venue is unlike any other retail format, here's what you must consider when it comes to the right kind of product. "Merchandise must be unique, demonstratable, solves a problem or makes life easier, and has mass appeal," says direct response television expert Wendi Cooper of C Spot Run Productions. Even more so, "shopping networks love exclusives and especially launching new products," says Kim Banchs, consultant with Transactional Marketing Partners (TMP). Banchs makes her point with Orange-Glo cleaning products, which debuted on HSN in the late '90s. "Today, the brand is a household name thanks to the media power of live shopping."

MARKETING AND MEDIA SAVVY

The right product also requires a unique blend of marketing and media savvy. "If it is selected to go on the air and if it requires demonstration, like apparel or a power washer, you're going to need an on-air personality attached to it," says Banchs. "Then, do you have b-roll? You know, video footage of the product? These are the two biggest things for marketing."

"It also helps if your product has a great story attached to it," adds Cooper, "like a skincare line from Australia that is not sold in the U.S.— except perhaps through home shopping."

THE PLAYERS AND THEIR AUDIENCE

While each shopping network has its own unique shape and style, similarities are abundant. QVC and HSN are the dominant players, reaching over 81 million cable and satellite homes nationwide. They also both have international operations and distribution, which is where most of their growth is coming from: QVC does business in the United Kingdom, Germany and Japan, while HSN transacts in Germany, Italy, Japan, and China. ShopNBC ranks third and is closing the gap, reaching about 60 million households in the United States.

As TV retailers, QVC and HSN are more general merchandisers, with price points in the \$40 range. And so their vast array of merchandise and affordable pricing has mass appeal. "They both have a huge jewelry business, a huge housewares business, and lots of private label stuff, especially cookware," says Cooper, adding that QVC in particular has a strong food business.

ShopNBC is known for its fine jewelry—approximately 65 percent of the mix—and has more upscale high-end prices averaging \$185. But the company, led by new CEO Will Lansing (former CEO of Fingerhut), is steadily diversifying its merchandising mix into the proven categories of home, apparel and cosmetics, which should help ShopNBC broaden its appeal to more consumers.

Margins at the shopping networks range from the low 20s in consumer electronics to the mid-50s in apparel and jewelry, according to Banchs. Demographically speaking, and not surprisingly, customers are mostly

women—approximately 75 percent—in the 45- to 55-age range. "And these women are passionate, discerning shoppers who buy for themselves the first three quarters of the year and loosen up their pocketbook for their loved ones during the holiday season," says Karen Hyman, president of Live Shop TV, a direct response consultancy. "They love their hosts. They love the value of their product. And they are very loyal to their channel."

HOW THEY WORK

If you successfully land a chance to air your product on one of the shopping networks, which is usually a 10- to 15-minute show segment, here's what you can expect. "First, you better be prepared with a good on-air presentation because the host and producers don't help you much with this," says Cooper. "They're busy. They expect you to get out there and sell. You're on. You're off. That's it. Next."

According to Cooper, success is measured by dollars per minute. "Typically, unless your first show tanks, each shopping network will give you two to three chances to test your product, preferring to test different dayparts and then average your performance. For instance, if you did \$4,000 per minute while another vendor did \$2,000, then you have a good chance of coming back because you did the higher dollars per minute in that hour. However, if you don't pull the numbers or had a poor presentation, you probably won't be asked back." Each shopping network has its own set of dollars-per-minute goals.

There are a couple of other important points worth noting. Depending on the product, lead time to get it on the air ranges from three to six months. On-air time varies by category and daypart, but as mentioned above averages 10 to 15 minutes. All products must also pass *quality assurance* (QA) standards and FTC

guidelines where appropriate (e.g., health products with claims must be substantiated), and vendors must be capable of shipping large quantities after a successful test. A great vendor guest and host representing the product can significantly enhance the sale. Finally, all shopping networks treat new vendors on an SOR basis. "That's shop talk for sell or return," says Cooper. "What you don't sell, gets returned. Period. Although it's negotiable on subsequent orders."

BUYER BEWARE

Now that you possess a cocktail napkin overview of the major players and their modus operandi, be warned that you're only going to crack the code of live TV shopping if you crack the buyer's code.

Here's what you're up against. Buyers receive hundreds of product inquiries a week. They're out of the office a lot, scouring the globe for great products from trade shows all over the world to manufacturers in Europe and the Far East. They have to not only manage their existing vendor and product base, but also help plan the shows their products are in. In other words, they're busier than a cat with nine kittens, so respect for their time cannot be understated.

And not knowing who the right person for your product is or not having an existing relationship with them adds to the difficulty in finding out who they are. "Everything starts with the buyer," says Cooper, "and let me assure you they are well protected by their company's receptionist. And so to get in the door could take years if you're a nobody."

CRACKING THE CODE

Given these barriers to entry, what are your options? Following are a few key points to note:

- **Vendor Solicitation on the Web.** Shopping networks generally have a section on the Website for vendor

solicitation. After filling out online forms, a merchandising coordinator reviews each application and files it with an appropriate buyer. It's then up to the buyer to contact you within 30 days if there is a fit.

- **New Vendor Line.** If you call a shopping network and inquire about getting your product on the air, don't be surprised if you're quickly transferred to a New Vendor Line. As mentioned before, the receptionist won't give out the names of any buyers. The New Vendor Line will be a recorded message giving you all the salient details. The message is then forwarded to the appropriate buyer, who, similar to the online solicitation, will generally contact you within 30 days if there's an interest.
- **Cold Call.** If you somehow manage to get a buyer's name from a friend of a friend and attempt a cold call, you must have a good presentation to get a buyer's attention, for first impressions are everything. "If you can put something on a CD and supply a working sample, that'd be nice," says Banchs. "Better yet, if you can provide a VHS tape of your product being used, especially if it's demonstrable, as a buyer, I would pop that in, look at it, and make a decision right then and there. And that would take me all of two minutes. Whereas if I got a standalone sample, it might sit in a pile until I get to it." A sell sheet of your product features and benefits is also recommended, adds Banchs.
- **Exhibiting Your Product.** Another option is exhibiting your product at a trade show or during Market Week in one of the big cities like New York. There you can display your product for prospective buyers to consider as they walk up and down the aisles. "This is a great opportunity to get the buyer's attention," says Hyman. "But it's like just getting to first base. A lot of

follow-up and perseverance is required from the initial acceptance to getting on the air."

- **Retain a Vendor Rep.** A vendor representative is someone who epitomizes the adage, "been there, done that." They are experienced product agents who know the ins and outs of each live shopping venue after many trials and errors. For a small percentage of your success, they can serve as a faithful guide.

the 12-minute sell by suggesting key messaging, testimonials, b-roll and supplying props.

"Many times, the producers go with it," says Banchs. "These are all the things the vendor rep should be doing for you." And if you have an on-air guest attached to the product, the vendor rep will work with the guest, for there is a strict on-air talent approval process.

Finally, if your first time on the air

There are a lot of moving parts to live TV shopping—from merchandising to planning to marketing to production. And once you gain a foothold inside, to remain grounded, it's all about hitting your dollar-per-minute goals.

First, buyers like dealing with them because they already have a relationship with them. They provide a level of third-party credibility to the product being pitched. Once a vendor rep is engaged, they will start out by helping you determine which shopping network is the most appropriate for your product.

Then they will help package your product and work with the buyer on all the necessary paperwork, including QA, getting your business set up as a new vendor, and getting the purchase order written correctly.

"You certainly don't want the order to be too big," says Cooper. "Remember, what you don't sell will be returned to you." Also, adds Hyman, "by selling out, you're sure to be asked back and [it] sets the stage for your future product sales."

The vendor rep will also suggest the best hours to get your product on-air. "Although it's really not up to the buyer," says Hyman, "it's up to the show planner." And in some cases, the vendor rep will help script

goes only so-so because of technical difficulties during the presentation, like poor lighting or sound issues, a vendor rep will lobby the buyer for a second chance. "We make sure these issues get put in the show log, so we have something concrete to go back to the buyer with," says Hyman.

GETTING YOUR FOOT IN THE DOOR

There are a lot of moving parts to live TV shopping—from merchandising to planning to marketing to production. And once you gain a foothold inside, to remain grounded it's all about hitting your dollar-per-minute goals.

Remember, you're only as good as your last airing, as they say in the business. It also helps to be nice, and not too high maintenance. ☺

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