

C I A R E P O R T

Competitive Intelligence Analysis

A 2002 Broadcast Product Mix Comparison

Since it has been more than a year since our last 4-network broadcast product mix comparison, it may be useful to now review an updated version.

These comparisons are based on the broadcast hours allotted to each product category over a 30-day period, in order to arrive at a percentage of emphasis our competitors give to those categories.

Aside from minor variations, when our competitor's sales revenues by product category are reported, they fall at nearly the same percentages as their as their broadcast hours allotment.

For example, HSN recently reported that 24% of their sales revenue came from Jewelry (while 25% of their broadcast hours were devoted to that category during that period.) ShopNBC reported that 74% of their sales revenue came from jewelry (while 75% of their broadcast hours were allotted to that same category during that period.) etc. etc.

We decided to use September 2002 as our sample, because 4th quarter broadcast schedules typically bear no resemblance to the product mix presented by home shopping TV during the other 9 months of the year.

During October, November, and December, a large chunk of HSN and QVC schedules are filled with holiday-specific shows...featuring such products as toys, Christmas décor, Christmas trees, Christmas lights, candles, and figurines.

On pie charts and bar charts, we have depicted the 720 broadcast hours of September, showing each product category by percentage. As you study these charts, consider the following additional observations –

- There have been a few changes in our competitor's product mixes during the past 12 months.
 - ___ QVC Jewelry hours dropped from 33% of their schedule in last year's study, to 26% in our current sample..
 - ___ QVC Apparel hours increased from 14% of their schedule in last year's study, up to 16% in our current sample.
 - ___ HSN Apparel hours took a big jump from 12% last year, up to 20% in our current sample.

___ Instead of fulfilling their promise to move toward greater product diversity, ShopNBC has instead done the exact opposite.

At the time of the ValueVision / ShopNBC ID change in 2001, ShopNBC devoted 66% of their schedule to Jewelry. By Spring of 2002, Jewelry had grown to occupy 71% of their schedule. You will see that as of September 2002, Jewelry now occupies 81% of the ShopNBC product mix.

These increases have largely come at the expense of ShopNBC's Electronics category, dropping from 25% in 2001, down to 16% in early 2002, and again down to 9% in our current sample.

- QVC and HSN product mix pie charts look remarkably similar in a side-by-side comparison. The most notable differences are QVC's inclusion of holiday-specific products (4% of their September schedule) and QVC's much greater emphasis on Category Compilation shows.

The Greatest Difference Between HSN and QVC Broadcast Product Mixes

ShopNBC's annual sales productivity of \$11 per household is dwarfed by HSN's \$25 per household.

However, HSN's \$25 per household is likewise dwarfed by QVC's annual sales of \$50 per household.

Therefore, it is useful for us to compare HSN's monthly schedule to QVC's monthly schedule...searching for a major difference, which might explain QVC's doubly superior performance.

The biggest difference between the HSN and QVC pie charts is their schedule allotment to Category Compilation shows. In our current example, HSN devotes 5% of their broadcast schedule to shows that mix a variety of product categories together. On the other hand, QVC gives category-mixed shows a much greater emphasis of 16%

Some examples of such shows include – *QVC Sampler, Make Life Easier, The QVC Morning Show, Problem Solvers, Time Savers, Smart Solutions, Just for You, and Out & About.*

Within these programs, you might find a steam cleaner, followed by a George Foreman Grill, a Gazelle Fitness Glider, a hair removal spray, an Oriental rug, a loungewear set, and a self-tanning lotion...all in one show. (HSN category compilation programming is usually limited only to their HSN Sunrise shows.)

Planning show schedules 3 to 6 months in advance provides HSN and QVC certain advantages over us. However, this advance planning also takes away the flexibility needed for making opportunistic buys, dumping poor performers, introducing new products, or increasing air time, more quickly, to products that hit big.

By sprinkling show formats throughout their schedules in which there is no pre-published commitment to a category, QVC regains that flexibility.

Shop at Home Product Gaps

In a side-by-side comparison of the Shop at Home charts to our competitor's charts, you will see some notable differences.

Shop at Home broadcast allotments to Housewares, Kitchen, Health & Beauty, Apparel and Compilation categories are minute' in comparison to the emphasis these categories receive on HSN and QVC

Shop at Home does not offer Apparel, which occupies 16% to 20% of QVC and HSN schedules respectively.

Our offerings in Housewares are limited to only Lamps and Bedspreads.

Our competitors have a heavy presence in Cosmetics, which we lack.

Our competitors offer a wide selection of vitamins and other health supplements.

Specific examples of products offered frequently by our competitors, and not by Shop at Home, include –

- | | | | |
|---------------------|-----------------------|-------------------|------------|
| * Yard & Garden | * Mattresses | * Steam Cleaners | * Food |
| * Cookbooks | * Oriental-Style Rugs | * Music CDs | * Clothing |
| * Vacuum Cleaners | * Air Purifiers | * Pet Products | * Wall Art |
| * China & Tableware | * Swimwear | * Christmas Décor | * Footwear |

Additional Notes on this Categorization of Broadcast Hours

- While QVC broadcast hours devoted to Category Compilation shows came in at 16%...that percentage could have been measured at an even greater number.

Category Mix shows such as *The Family Room*, *Home Solutions*, *Around the House*, and *You're Home with Jill* often include some Fitness and Kitchen products...in addition to Housewares. However, since these programs usually present Housewares for the majority of the hour, these category compilation shows were classified under Housewares.

Another QVC Category Compilation program, *The QVC Morning Show* is devoted to Apparel on Fashion Fridays...and is therefore counted under the Apparel category on those days.

- The category Books/Tapes/CDs often includes -- motivational books and tapes from Anthony Robbins, financial planning books and CDs from Suze Orman, children's storybooks, children's learning books & CDs from *Hooked on Phonics*, and music performance CDs and DVDs from such artists as Bon Jovi, Shania Twain, and Neil Diamond.

- Sports occupied an atypically high 2% of both the QVC and HSN schedules, due to special circumstances.

The special events that contributed to this uncharacteristic spike included a QVC expansion of their NASCAR collectibles & apparel programming, due to 2 important races in Richmond VA and Loudon NH. And HSN devoted more time to their *NFL Shop* sports collectibles and team logo apparel shows, for the sake of celebrating that show's annual anniversary.

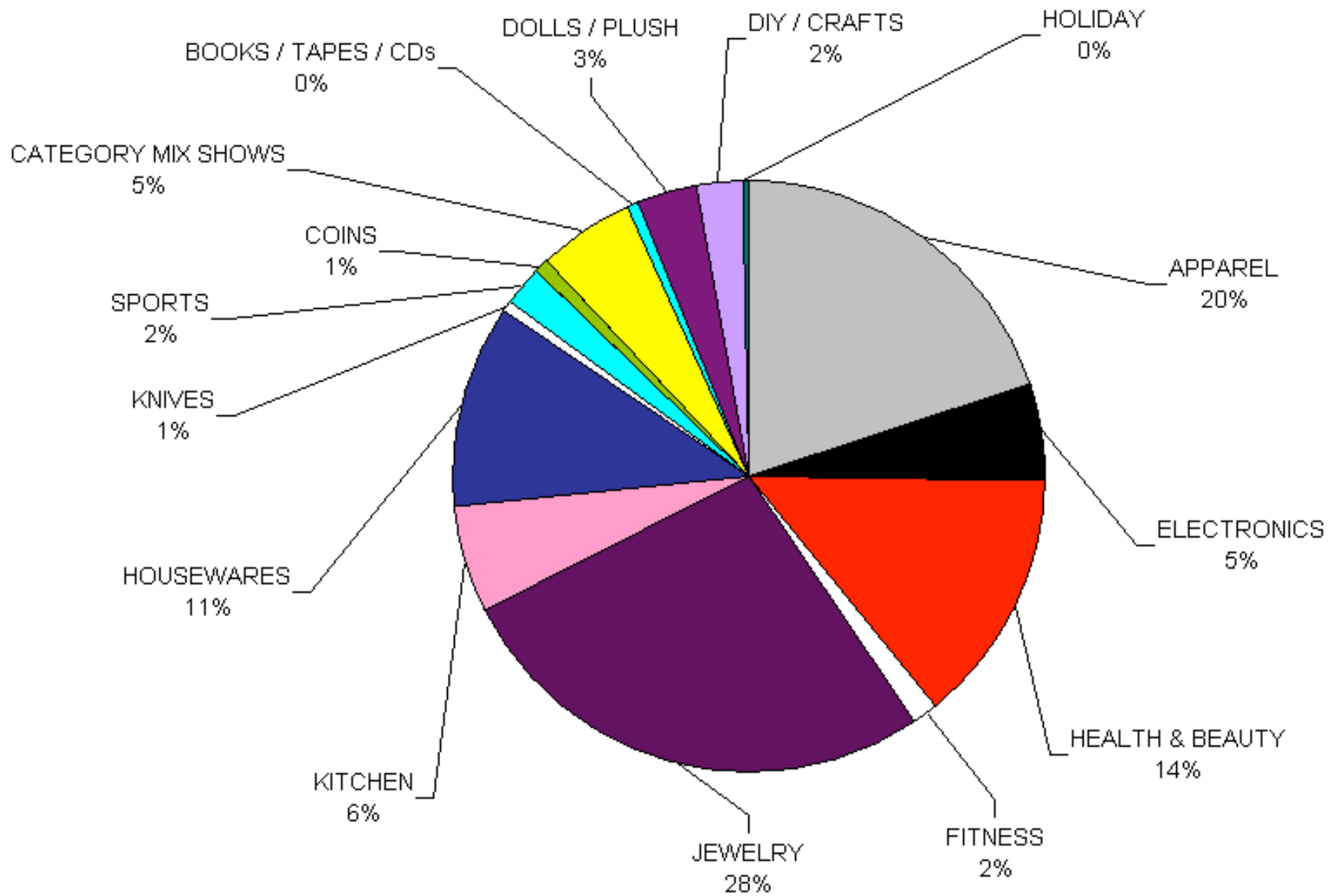
- FYI – QVC's September Health & Beauty category shows break out to 16 hours for Health & Diet Supplements, and 43 hours to Cosmetics, Skin Care, and Hair Care products
- FYI – HSN's September Health & Beauty category shows break out to 28 hours for Health & Diet Supplements, and 71 hours to Cosmetics, Skin Care, and Hair Care products
- FYI – Excel charts render fractional percentages of less than 1%, rounded down to 0%.
Therefore, the 2 hours devoted by QVC to coins in September were depicted at 0%.
Likewise, the 3 hours Shop at Home devoted to Kitchen shows in September also showed as 0%.

The Charts

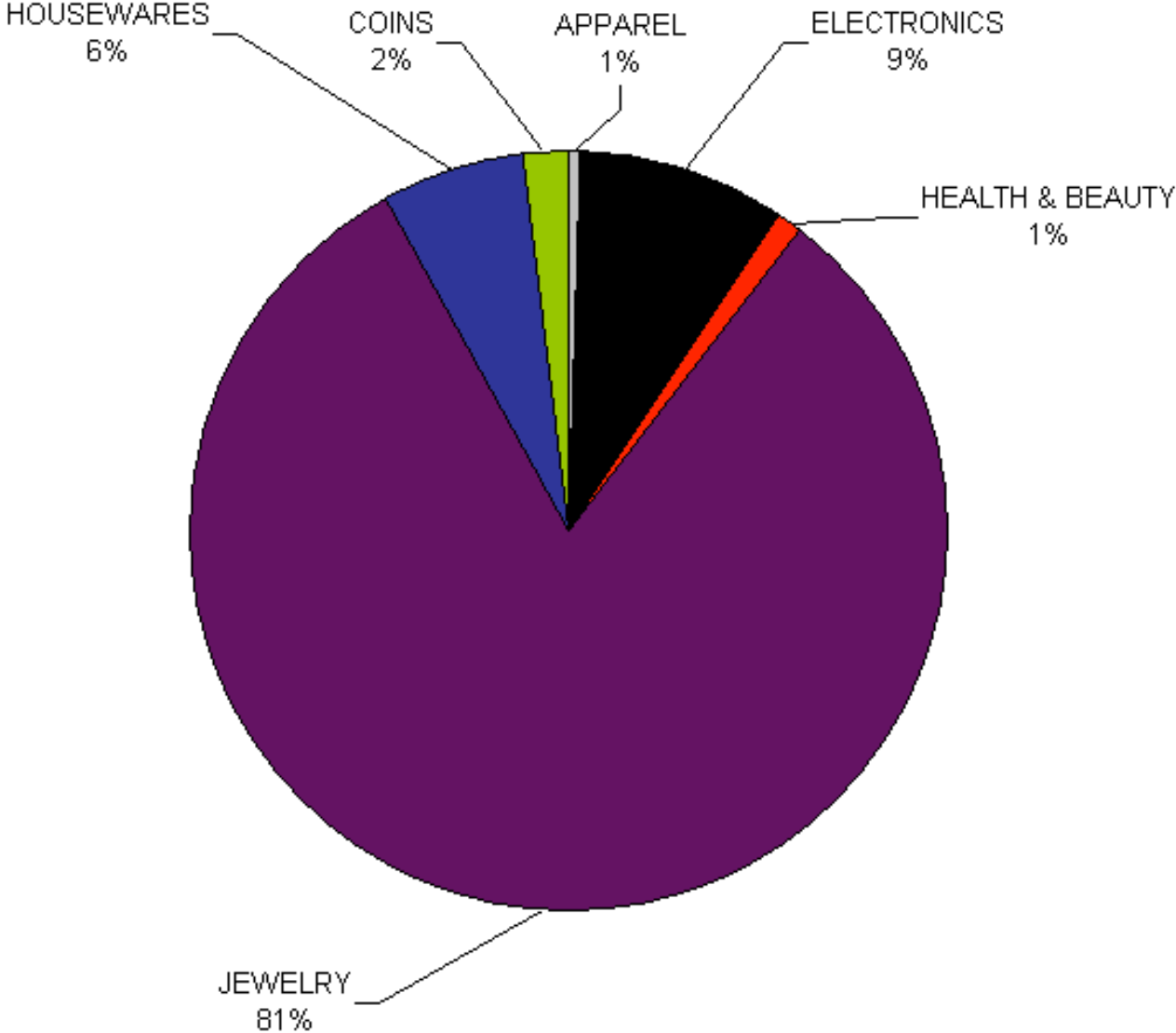
The pages that follow contain a comparison of September 30-day broadcasts from the 4 shopping networks, represented on pie charts, as well as bar graphs.

QVC Broadcast Product Mix – 09.2002

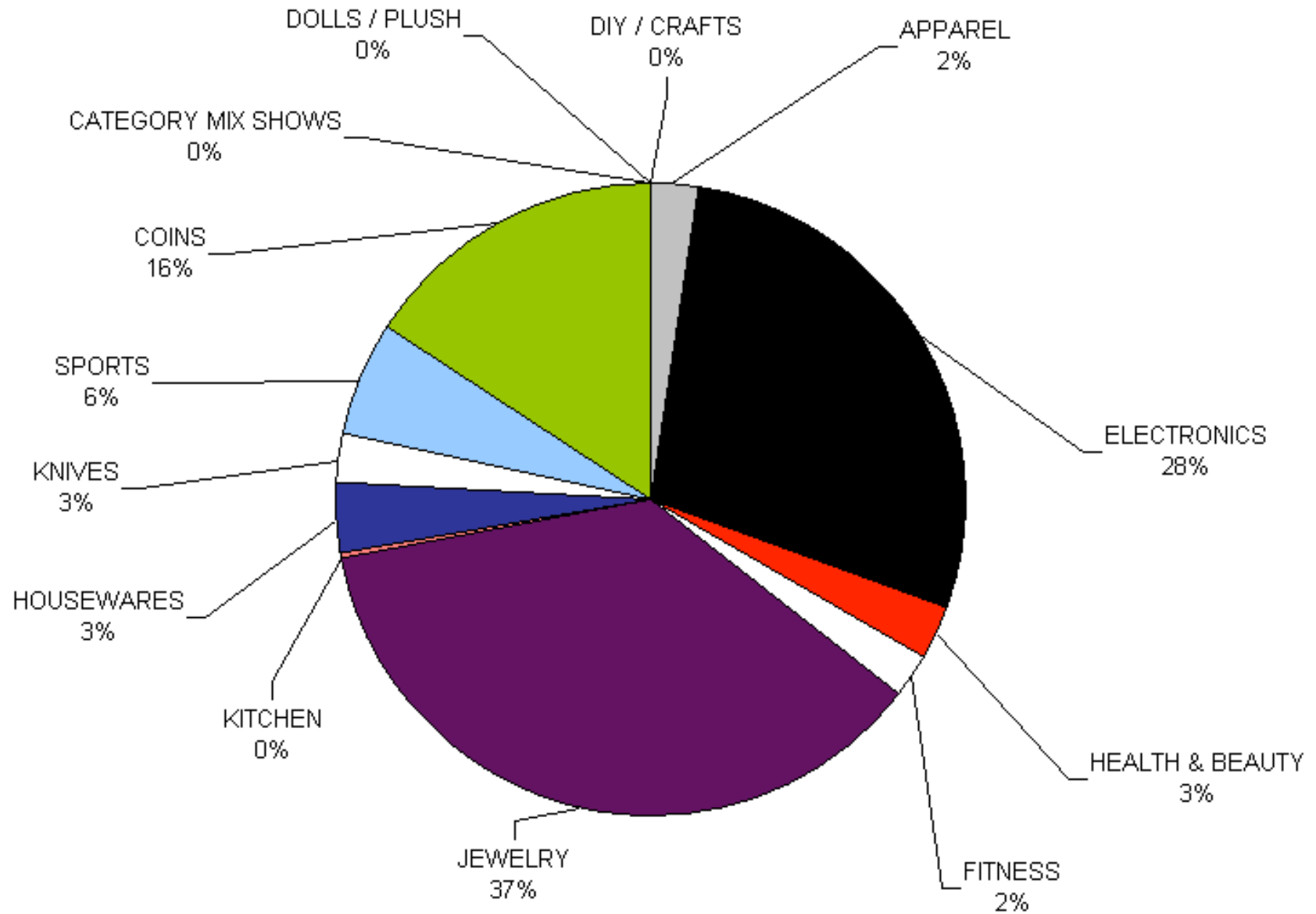
HSN Broadcast Product Mix – 09.2002



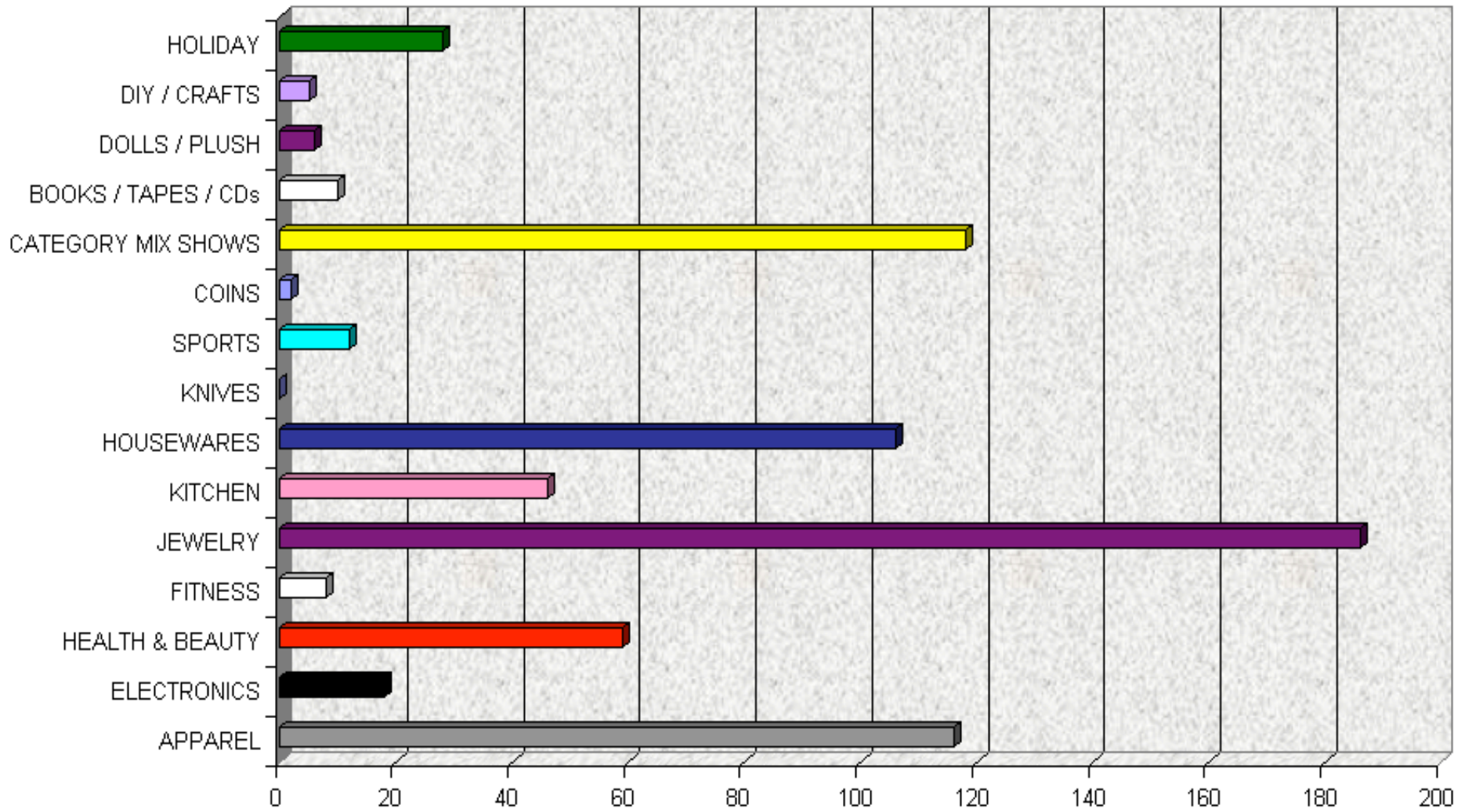
ShopNBC Broadcast Product Mix – 09.2002



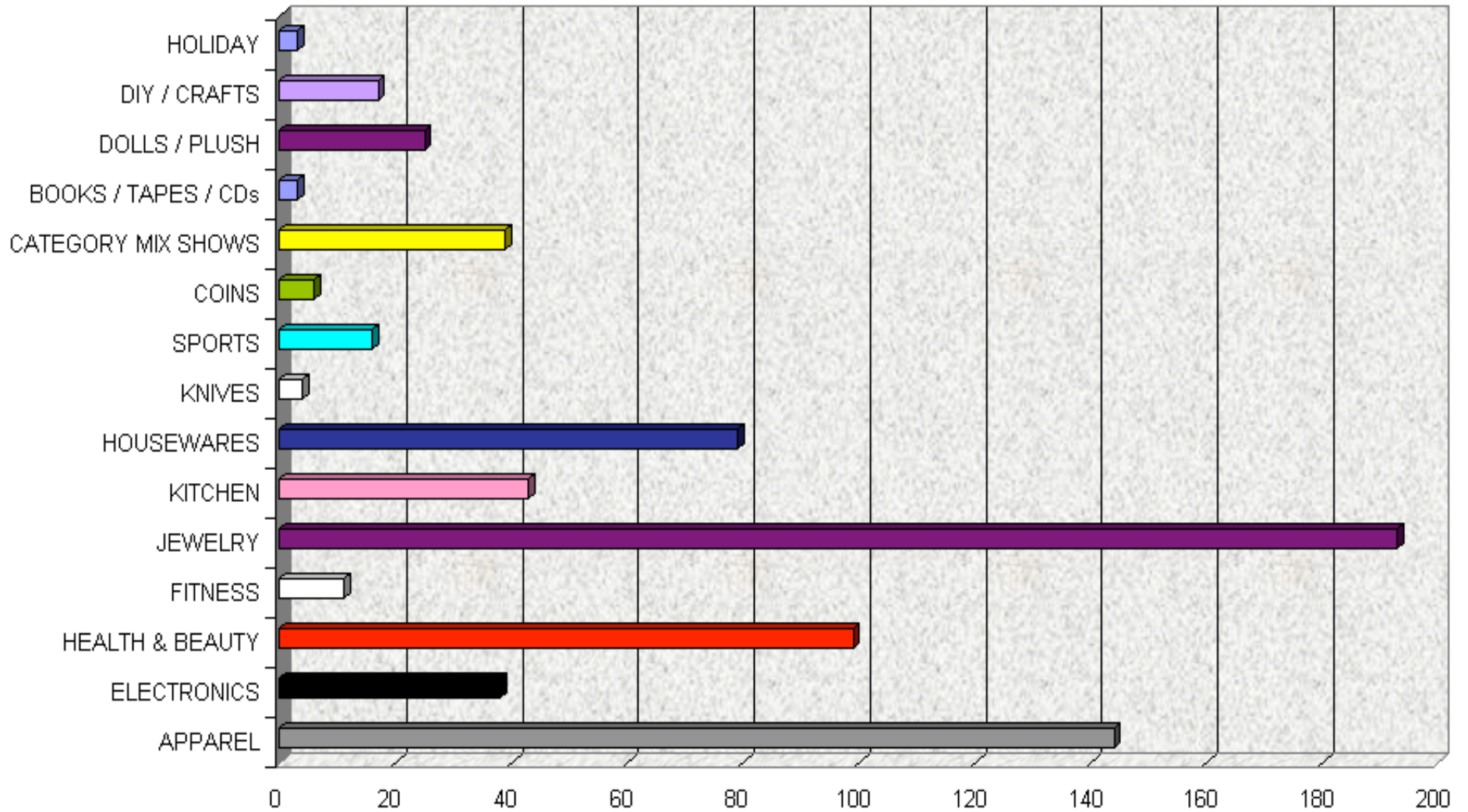
Shop at Home Broadcast Product Mix – 09.2002



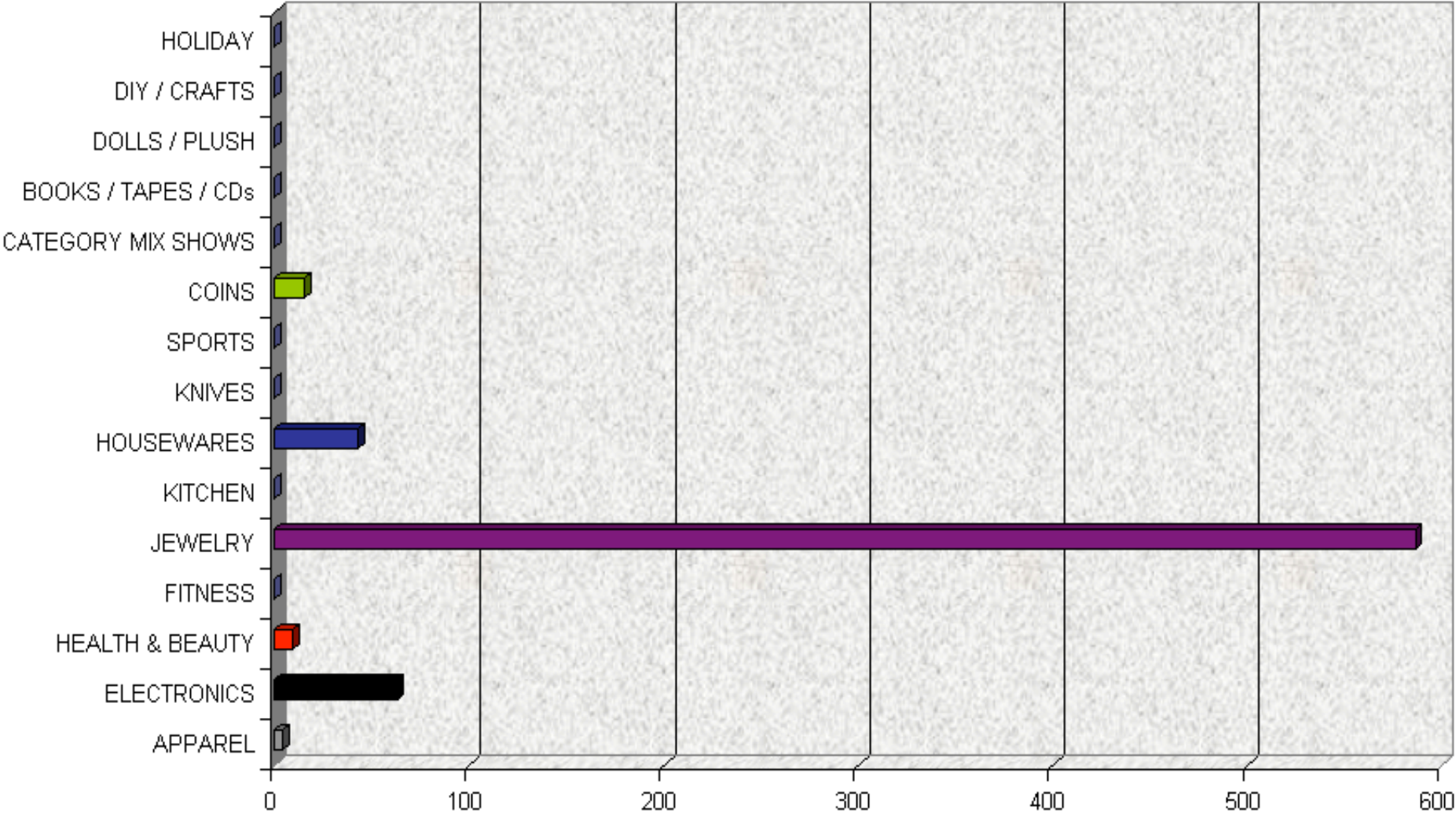
QVC Broadcast Product Mix – 09.2002



HSN Broadcast Product Mix – 09.2002



ShopNBC Broadcast Product Mix – 09.2002



Shop at Home Broadcast Product Mix – 09.2002

