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HSN :: PORTRAITS

there's no place like… HSN

methodolgy

Online Quantitative Consumer Research

Research was conducted with HSN customers, both cardholders and non-cardholders, through an online survey. The following nine segments were surveyed:

Historical & Future High Value/Historical Low & Future High Value

- Her Hub: Jewelry, Apparel, Accessory, Beauty, Health & Fitness
- Domestic Use, Home Fashion & Ingenious Design
- Electronics
- Multi-Cluster

Historical High & Future Low Value

- Her Hub: Jewelry, Apparel, Accessory, Beauty, Health & Fitness
- Domestic Use, Home Fashion & Ingenious Design
- Electronics
- Multi-Cluster
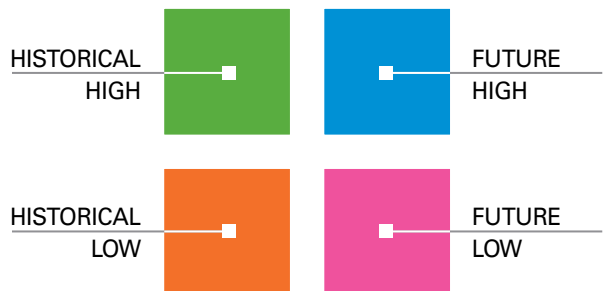
Historical Low & Future Low Value

categories

A convenient color key has been created to help identify the categories listed above as you read through this guide. The four segments are:

HISTORICAL HIGH

FUTURE HIGH

HISTORICAL LOW

FUTURE LOW

summary

Because the HSN customer base is so diverse, we've separated customers into a hierarchy of nine distinct groups. This brief summary offers a top-line look at some of the most important attitudinal and spending differences, and details a few noteworthy commonalities found across all segments as well.

Who has the HSN card – and who uses it

Not surprisingly, half of the Future High Value segments have the HSN credit card and slightly more than half claim to use their card to make 100% of their purchases. Managing debt is the main reason they don't use the card more than they do. However, more than a third of the Future High Value Electronics group claim their credit limit just isn't high enough to make all the purchases they'd like. As expected, an overwhelming majority of Low Value segments don't have an HSN credit card – and most say they don't anticipate applying for one in the future, especially if they're earning rewards from another card program.

Talking shop

Even though most customers claim to have shopped HSN 3 to 5 times in the past year, about half of all segments believe they're shopping less in general. Yet another interesting point about the Electronics segment: both Future High and Low Value groups are significantly more likely to say that, in general, they're shopping more than last year.

All HSN customers frequent the same four retailers most often: HSN, QVC, Walmart and Target. It's important to note that the High Future Value Jewelry group is significantly more likely than other segments to order through a TV retailer, while Low Future Value Jewelry is more likely to choose ordering online. Even though the majority of HSN customers claim they're shopping the same as they always have, more than 90% of every segment believes they're ultimately *spending* less – with the economy and changes in personal finance being the most obvious reasons, followed by lack of products they want to buy.

What they read, listen to, and like to do

When it comes to magazines, *People* is a universal favorite across all segments, sharing the top spot with *Better Homes & Gardens* – while both Electronic groups lean toward more male and African-American positioned magazines such as *Sports Illustrated, Ebony and Essence*. A large percentage of each segment likes to listen to Classic Rock, Country, Easy Listening and Oldies. And during their spare time, more than half like to cook, go out on the town, read, watch TV and spend time with family.

Their future looks bright

Most segments claim to be smart about the future – stating that they're saving for retirement and unexpected emergencies. Across all segments, 30 to 40% feel they'll have enough money to retire when they're ready. They also tend to be optimistic about the current economic situation, with more than half of all segments viewing the economy as improving. More than any other group, the Low Future Value Electronics segment is also saving for education, a baby, a new car and (no surprise) large electronic purchases.

The low-down on lifestyle

When asked to describe themselves, HSN customers choose these descriptive statements most frequently:

- I have a sense of style
- I'm drawn to unique items I know other people won't have
- I'm generally happy with my appearance
- I'm willing to spend more for something I really want
- I don't feel dressed until I put on my jewelry
- I prefer to buy beauty products that are scientifically proven
- My clothes are an important expression of who I am

The largest HSN customer population resides in the south, and most of them own a home, are married (60%) and live with children. They span all ages, with the largest group being over 45. Claiming a household income between $25,000 to $50,000, most HSN customers are employed full-time – with the heaviest concentration in the administrative services and education industries. By far, most HSN customers are Caucasian, with the highest percentage of African-Americans being in the Electronics segments and the highest percentage of Asian-Americans comprising the Future Low Value Jewelry group.

Tapping into technology

HSN customers are a social bunch, most of them using a traditional mobile phone daily. Facebook is the most visited social site, followed by User Reviews on a retailer's website. On average, most respondents watch 11 to 20 hours of TV per week. Interestingly, the majority (66%) claim to watch HSN less than 5 hours a week, typically flipping between HSN and other channels during Prime Time. Only a third (35%) say they make a point to schedule around the programs they want to see.

multi-cluster : JILL

Preferring that retailers communicate with her through email followed by direct mail, Jill chooses those retailers based on their experience and style of merchandise (not surprising, since she maintains that she has a strong sense of style, likes to express herself through her clothes, and is drawn to unique items). More than any other customer, she believes that HSN delivers on all of those expectations as well as convenience.

Last but certainly not least, Jill cites convenience and rewards as her major incentives for using credit cards – and she is, in fact, our most likely customer to have an HSN card. If she doesn't, it's simply because she's set on racking up reward points from another card.
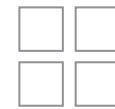
key measures

Meet Jill, our dream customer. Jill buys from HSN more than anyone else, and maybe that's because her interests are so varied. She reads everything from *Better Homes and Gardens* to *Vogue*, likes all types of music including Broadway and movie soundtracks, and enjoys hobbies ranging from shopping, fitness and spa services – to reading, gardening and talking on the phone. When it comes to her choice of wheels, you'll most likely see her getting around in a Toyota, Ford or Chevrolet.

Jill's also no stranger to technology – using her computer and cell phone every day, relying on website User Reviews, and frequenting social sites like Facebook and Twitter. She's been known to watch up to 30 hours of TV every week, including 11 hours or more of HSN, and she's more inclined to keep the TV on in the background too.

Obviously a big fan of HSN, Jill loves to shop and admits she occasionally indulges more than she should. Spending a significantly higher percentage of her shopping time with a TV retailer than others, she simply prefers to shop from home. And she exercises that right on jewelry and accessories especially – convinced that an outfit simply isn't complete without them – as well as apparel, natural beauty products and health & fitness. She isn't intimidated by placing her order through an automated phone system either.

- Jill is most likely Caucasian, age 55 or older, with some college education.

- She's more likely to own a home, be employed part-time, and have a household income of $150,000 or above.

- 35% are single, divorced or widowed – but slightly more (42%) have been married one time.

- 50% say they use their HSN card 100% of the time.

- In addition to HSN, Jill's favorite retailers include:

  Chico's　　　　　　　QVC (significantly more than any other group)
  Coldwater Creek　　　Ross Simons
  Nordstrom　　　　　　Sephora

jewelry: CAROL
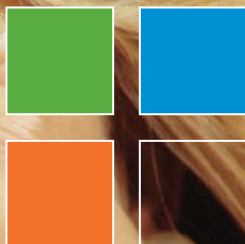
Although she may not be shopping and spending as much recently, Carol still isn't refraining too much from shopping at HSN. Above all else, she's most likely to buy jewelry of course, followed by apparel and beauty items. And even though her tastes tend to be on the high-end side, she keeps an open mind about more discount-oriented retailers too, especially when shopping for others. For that, she typically heads to Walmart or Target.

When Carol saves money, she has some very specific goals that extend beyond an emergency fund or saving for necessities: she's more likely than others to be saving for cosmetic surgery and travel. And what about retirement? She thinks she'll have enough money for that when the time comes (if it hasn't already) – but she also tends to think she'll continue working after.

key measures

Our second most active shopper, Carol's a bit of a splurger – inclined to admit she has a hard time staying away from the stores, especially if those stores happen to have jewelry. She's stylish and fashionable … professing that she's drawn to unique items other people don't have, that fine jewelry is better than fashion jewelry, and that she truly doesn't feel dressed until she dons her jewels.

Naturally, Carol's favorite hobby is shopping, but she's also into reading, walking, going out for entertainment and visiting museums. Chances are, she drives an Audi, Lexus or Mercedes and she probably lives in the south.

Beauty and fashion are her favorite magazines to curl up with – *Allure, In Style, Vogue, Lucky* and the like. She likes to listen to Top 40, Light Rock, Jazz and Blues, but Oldies are her all-time favorite music selections. However, that doesn't mean Carol is old school when it comes to technology. In fact, the majority of her shopping with TV retailers is done via the Internet – which she is on every day – and she prefers for retailers to communicate with her through email.

- Carol is most likely Caucasian, married and between the ages of 55 to 64.

- Most are employed full-time, but 22% have already retired.

- 25% have a household income of more than $100,000.

- Carol typically spends 5 to 10 hours a week watching HSN.

- 65% shop HSN more than 6 times a year. Within this group, 33% shop more than 11 times.

- 42% have the HSN credit card, and most use it 100% of the time.

domestics : SUE

Sue shops for herself at HSN, QVC and Walmart the most – and says she would probably shop more often if she had more money. When shopping for others, she tends to rely on Walmart, followed by HSN and Target. Overall, Sue gives HSN high marks for convenience and customer service. While she doesn't mind placing orders with TV retailers through an automated system, she definitely prefers speaking with a live person.

Valuing the convenience of credit cards, Sue is the most likely customer to have an HSN credit card – and she's also the most likely to make all of her HSN purchases using that card. However, pragmatic to the core, she does limit the use of her card at times in an effort to manage debt.
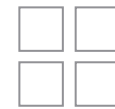
key measures

Sue is one sensible woman, our customer most likely to value comfort over fashion. She's not very interested in clothing, instead turning to HSN for various home fashion items. At the top of her list of criteria are price, quality and style.

In keeping with her no-nonsense nature, Sue is more likely to drive a Buick than others. And she's actively saving for retirement of course, but also unexpected emergencies and healthcare expenses.

Sue is most into crafts, but she also likes to cook – evident by her choice of magazine matter: *Cooking Light, Gourmet* and *Rachel Ray*. Her music tastes vary from Barbershop to Country, and she is also more likely than others to listen to the Oldies.

- Sue is more likely than others to be over 55 and retired.
- Of those who aren't retired, 34% anticipate they'll have to continue working even after retirement.
- 85% are Caucasian, with the majority having a household income between $25,000 to $75,000.
- 80% own a home and are fairly evenly distributed across the country.
- Most likely, Sue watches HSN between 9 a.m. and 4 p.m. However, most (65%) say they spend less than 5 hours a week watching HSN.
- 51% have the HSN credit card, and they're our most likely customers to make 100% of their purchases with it.
- 39% have made 3 to 5 HSN purchases in the past 12 months – with an additional 30% claiming to have made 6 to 10 purchases.
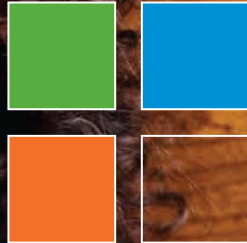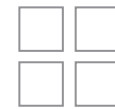
electronics: STEVE

Best Buy is Steve's favorite place to shop for himself, but he also likes Ikea, eBay, QVC and of course HSN. When shopping for others, Steve opts for Walmart, HSN and Target. And more than any other customer, Steve admits he'd shop even more if funds allowed.

Cash or debit is Steve's preferred method of payment, but he sometimes uses credit cards for convenience and buying higher-end brands. When he chooses not to apply for a credit card, it's usually because he's concerned about being declined – or he feels the credit limit simply isn't high enough for all the purchases he'd like to make. (Perhaps this is why Steve not only saves for emergencies, but proactively puts money aside for future electronic purchases as well.)

key measures

- Steve is probably between 45 and 64 – but he's also in the group most likely to be between 35 to 44.

- Most are employed full-time with a household income of $25,000 to $49,000 – and most have a single income supporting their household.

- If married, 33% are likely to have children under 17 in the household.

- About half (47%) have made 3 to 5 electronic purchases in the past year. Another 24% say they've made 6 to 10 purchases.

- When it comes to purchasing, Steve is most driven by these statements:
    - I like to try new technology and electronics whenever I can.
    - I buy most of my electronics from TV or the Internet.
    - I'm not interested in clothing.

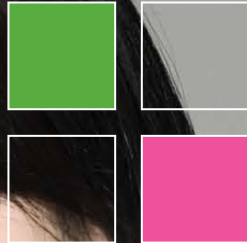## Electronics are the name of the game for Steve.

And that holds true not only for the purchases he makes, but for his lifestyle too. Always on Twitter, Facebook and MySpace, he's our customer most likely to have a Smart Phone. He's also inclined to shop online as much as he shops with a TV retailer – and actually prefers to receive communications from retailers via text message.

A little more about Steve: he likes to read *Ebony* and *Essence*, prefers music like Hip-Hop and R&B, and enjoys camping. He's also more likely than others to be single, African-American or Hispanic, and rent an apartment.

Not surprisingly, Steve is more likely to watch HSN online, but spends less than 5 hours a week doing so. He buys most of his electronic purchases at HSN and when he places an order, he typically likes to do it online – but he's relatively happy to order via an automated system as well.

jewelry: SARAH

While Sarah does just fine in the income department, typically making between $50,000 to $75,000 a year, she's far from impulsive with her money. In fact, she's actually more conscientious than others about being careful with her spending. Right now, she's intent on saving for a baby or new home purchase - since she's slightly more likely to be currently renting a house. However, Sarah's somewhat less likely than others to be interested in the HSN credit card – with the main reason being that she's trying to manage debt.
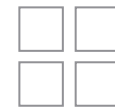
key measures

Sarah is all about being healthy and hip. With
hobbies focused on fitness, dieting and travel to foreign countries, she's slightly younger than other HSN customers, usually zips around in a BMW or Toyota, and favors stores like American Eagle, Banana Republic, Anthropologie and Pier 1.

Partial to the convenience of Amazon.com, she shops online the most. In fact, she's more likely than anyone else to shop HSN on the Internet. When she does so, she typically scouts out health & fitness items and jewelry – which she thinks of as the ultimate status symbol, as well as a special reward. For her accessories, beauty items, domestics and electronics, she tends to rely on other retailers instead.

Sarah loves social sites like YouTube, Facebook and Digg, listens to Techno/Electronic music more than anyone else, and gravitates toward magazines like *Marie Claire, Lucky* and *Glamour*. She most likely lives in the south and is employed full-time in the administrative services field.

- Sarah is most likely Caucasian – although her group also contains the highest percentage of Asian-Americans.

- Most likely, Sarah has shopped at HSN only 1 or 2 times in the past year.

- The majority watch 5 to 10 hours of TV a week, and less than 5 hours a week of HSN – typically during Prime Time, Daytime and Late Fringe.

- Even though 71% have been shopping the same or more at HSN, recently they've been spending less.

- If Sarah has an HSN credit card, she's using it 25% of the time or less.

domestics : BETH

Beth is less likely to have an HSN credit card, although she does sometimes use credit cards for convenience. She prefers cash or debit, and puts both to use most often at Walmart. She not only shops there all the time for herself, but also shops there for others (JCPenney and dressbarn are favorites too). Above all else, Beth prides herself on being one smart shopper … always in-the-know about the latest sales, ardently comparing prices, and going through phrases where she doesn't shop much at all because of financial reasons.
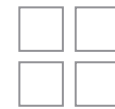
key measures

### Think of Beth as a Martha Stewart in the making.

Although she's one of our younger customers, she's already about hearth and home. Her favorite magazine is *Better Homes and Gardens* and she loves baking, crafts and playing board games. She's also into country music, drives a Ford or a Kia, and is married with kids under the age of 17.

A proud homeowner (and homemaker extraordinaire), Beth entertains friends and family in her house more than anyone else. And when they're not with her in person, she loves relying on technology to keep in touch with them on Facebook and Twitter, or call them on her Smart Phone. Even her savings centers around her home, since she's currently socking away money for furniture and decorating items.

Beth definitely isn't the most active HSN customer – typically making only 1 or 2 purchases a year – but she's more likely to buy her domestic and home fashion items from HSN than anywhere else, and more likely to do so online. For all her other products, she prefers heading out to a retail store.

- Beth is probably Caucasian and lives in the south.
- Her household income is typically between $50,000 and $75,000 (based on a single income).
- If employed, she's more likely to work part-time than others.
- Beth watches HSN less than 5 hours a week, typically during Prime Time.
- 92% don't have the HSN credit card.
- More than any other group, 80% say they're limiting the use of their HSN card because they're trying to manage debt.
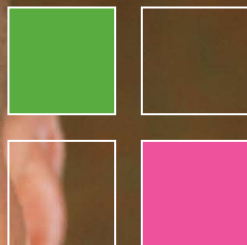
electronics: NATE

If you asked, Nate would tell you that he likes to try the latest technology every chance he gets … and his daily habits definitely reflect that passion. He's an avid texter, constantly checks sites like StumbleUpon and MySpace, and can't live without his Smart Phone. He's always saving for the next big electronic purchase on his wish list (it's either that or a new car), and he considers HSN a pretty good source for those purchases.

When it comes to credit cards, Nate is more than a little concerned about being approved. So naturally, he pays with cash or debit most of the time. And while he doesn't currently have an HSN card, he's actually very open to it – revealing that he's likely to apply for one in the future.
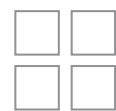
key measures

Nate is another one of our younger customers –

probably between 35 and 44 – and he's just too busy to shop that often. Most of the time, you'll catch him boating, attending sporting events, traveling or relaxing on a cruise ship. His favorite tunes run the gamut from Jazz and Blues, to Reggae, R&B and Rap, and his choice of reading matter is *GQ* and *Sports Illustrated*. Along with being a serious electronics enthusiast, he likes to stock up on GNC products when shopping for himself.

In keeping with his active, on-the-go lifestyle, Nate is also more likely to be single, drive a Hyundai or Jeep, and work in the transportation or industrial industry. He makes between $25,000 and $50,000 a year and might even rent a house or apartment.

- Nate is significantly more likely to be African-American than most other groups.
- 67% are employed full-time – the highest percentage of all customers.
- Nate watches HSN less than 5 hours a week, typically online or on TiVo or DVR.
- In the past year, the majority (85%) have made 5 or less purchases at HSN.
- 93% don't have the HSN credit card.
- Nate's group has the highest percentage of customers who say they've never been offered the HSN card.

multi-cluster: RACHEL

How does HSN fit into Rachel's life? When she watches it, her tendency is to flip between channels, which she does less than 5 hours in a typical week. She thinks HSN delivers best on price, followed by customer service (a huge hot button for her). More than any other customer, Rachel prefers to place her order from a TV retailer through the Internet.

Even though Rachel is inclined to be spontaneous, she still has a frugal side. Case in point: she's concerned about her financial future, pays close attention to price when she shops, and makes it a priority to save as much as she can – especially if she has her eye on a specific home improvement.
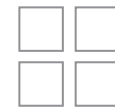
key measures

Rachel is as open-minded as they come. She could very well be married, but she's also just as likely to be single or living with a significant other. She's probably around 35 or so and works full-time in education or childcare. If she does have kids, they're likely to be under 17.

Driving a Ford or Chevrolet, Rachel has an affinity for Folk music and Rock of all kinds – from Classic to Soft. She keeps up with current events by reading publications like *Newsweek*, but isn't above getting the latest dish in *People* magazine too. Frequently indulging in cooking and crafts, she's also a social butterfly who loves to have people over and make connections through sites like LinkedIn.

At times an impulse shopper, Rachel thinks of clothes as an important expression of who she is, prefers natural beauty products, likes to refresh her home every few months, and is willing to spend more for something she really wants. She buys for herself mostly at Banana Republic, Best Buy and Neiman Marcus. For others, she opts for eBay or Best Buy.

- Rachel's yearly household income is most likely $50,000 to $75,000.

- She's made 3 to 5 HSN purchases in the past year.

- Most feel they're shopping the same or more at HSN recently – but 94% say they're actually spending less.

- The majority are Caucasian – but this group also has the highest percentage of African-Americans and Hispanics.

- About a third have some college under their belt, with an additional 27% having earned their college degree.

- Many non-cardholders say they don't plan on applying because they're buying a house or large purchase soon and don't want to hurt their credit score.

infrequent shopper :
PAT

As expected, HSN isn't top of mind when it's time to shop. Instead, Pat prefers catalogs or retail stores. Her favorite places include Amazon, Bed Bath & Beyond and Best Buy. With an income of less than $25,000 a year, Pat's always concerned about price of course, and would shop more if she had more money.

More likely to be without a car than most, Pat is naturally saving for one. Yet another interesting aspect about her: she may own a home – but if she doesn't, she's more likely to be living with relatives than renting.

key measures

A stark contrast to our active high-value customers, Pat is destined to stay a low-value one. In fact, TV retailers don't fit much into her life at all. She's only made 1 purchase in the past year, and that was because she stumbled upon HSN while doing an Internet search for a quality ring that wouldn't break the bank.

Even though she has a positive impression of her experience, chances are good that Pat won't engage much with HSN in the future either. If she does happen to watch again, it will probably be during PrimeTime. And if she actually places an order, she's likely to insist on speaking with a live person.

Pat's interests are also a challenge to categorize, since her tastes are all over the place. Liking all kinds of music from Country to Rap, she's more inclined than others to attend music concerts. And she's diverse in her magazine choices: reading *Real Simple, Lucky* and *Essence*, but also devouring *Sports Illustrated*. She loves to watch TV too, up to 20 hours a week (but alas, none of those hours are likely to include HSN).

- Pat might be a Caucasian, but her group also contains more African-Americans than others.
- The majority are 55 to 64 – yet there are also more 25 to 44 year olds in this customer segment.
- Most are married, and slightly more likely to be living with a significant other.
- 50% have made only 1 or 2 HSN purchases in the past 12 months – more "lack of purchases" than anyone else.
- Only 11% have the HSN credit card.