

WWD MILESTONES

SECTION II



HSN at 35

HSN has come a long way from an AM radio show to a home shopping channel to a multimedia powerhouse that reached sales of \$3.18 billion last year. It encompasses and embraces a range of formats — from social media and e-commerce to m-commerce and social gamification — under the direction of chief executive officer Mindy Grossman.



The Accessories Array



The Digital Future



Celebrity Casting



The Beauty Bonanza

PHOTO BY BOB KRUSLIN

WWD MILESTONES

Mindy Grossman: Game Changer

By MARC KARIMZADEH

Mindy Grossman made an unexpected — though symbolic — move in her first week on the job at HSN Inc.

"I tore down every parking sign that said 'vendor' and changed it to 'partner,'" Grossman recalled. "It was indicative of the type of culture that we wanted to have."

That was May 2006. Six years on and the chief executive officer has done more than just update the parking lot at HSN's St. Petersburg, Fla., headquarters. Grossman successfully revamped HSN from the ground up, not just giving the corporate culture a jolt, but also transforming the network from a cacophonous home-shopping channel into a dynamic, multimedia destination that melds commerce with entertainment.

These days, HSN features designers like Mark Badgley and James Mischka of Badgley Mischka, Rachel Roy and Naem Khan, alongside celebrities such as Serena Williams, Iman, Queen Latifah and Mary J. Blige, who choose the network to offer a fragrance, apparel or, as is the case for recent addition Randy Jackson, a watch line. Performers like Lionel Richie and Rod Stewart have used the network to launch and sell their latest CDs, replete with a televised performance in front of a live audience.

"It's about contextual commerce, something that's going to create a connection with the customer because it either has a provenance or a story or anything else," said Grossman, sitting in HSN's modernist New York offices high above Midtown Manhattan.

The executive had a specific vision of what she wanted the network to be when she joined.

"Even before I met with Barry Diller [chairman and senior executive of IAC/InterActiveCorp] — at the time we were owned by IAC, so I was hired by Barry — I had in my head what I thought the business could evolve to," she said. "I looked at it much less as a retail venue and much more as an information/entertainment/lifestyle venue, and that was really the genesis of what I felt the transformation could be."

It's hardly a surprise that Grossman felt so strongly about the need to tell stories beyond selling merchandise. Prior to joining HSN, she made her mark at Nike, where she was global vice president of apparel, and, before that, headed up Polo Jeans. Those experiences polished her strong sense for fashion and merchandising, and Grossman relied on them when, in the summer of 2007, she presented a complete overhaul of HSN from cool new graphics to fresh new sets and a widely enhanced hsn.com.

"What's fascinating is that prior to August 2007, we didn't have a single video on our Web site," she said. "It was basically a digital experience of what didn't sell on television. We weren't even maximizing the fact that we could have this network amplification, but we also didn't have the content to really leverage it."

So, simultaneously with the relaunch, Grossman embarked on a mission to reevaluate the vendor matrix, nixing some existing brands and businesses that didn't fit in with her new strategy and bringing in new ones. As she put it, the strategy was to "start

building the pipeline in every one of the categories and redefine what authority meant in those categories, whether it was beauty or culinary, fashion or electronics."

She diversified the portfolio, amping up the fashion and beauty categories and bringing in well-known names in the kitchen and food area. Her criteria was the same for each.

"The first thing is great product," she said. "Is it relevant? Is it differentiated? Is it something that can strike a chord? If you don't have the ability to talk about this for at least seven minutes and make it exciting and compelling, it doesn't belong in our environment. It's great product, great story and great storytelling."

As if to drive home the message, she picked up a candle from the coffee table and exclaimed, "You could talk about a scented candle for eight hours if you were passionate about it."

Her formula has proven a hit. In 2008, HSN Inc. was spun off from IAC, and today, it's a stand-alone, publicly traded, \$3 billion multichannel retail-

"We all expected changes [from Mindy]...What we got was the ultimate, supersparkling makeover."

— RICHARD GRAZIANO,
R.J. GRAZIANO

er. Even with her success, Grossman's not one to rest on her laurels.

"Today, you have to have more than just a transactional mentality," she said. "We want to really understand as much as we can about our customer so we can give her content and products and experiences that are very aligned with what's going to make her life better."

More recently, the evolution of the Internet has given the strategy a significant boost.

"Today, we can leverage that content across every screen that we have," Grossman said. "We have the capabilities because we're a television network to create original content that's only available digitally to enhance what we do. If you look at our iPad application, you can customize your own channel. If I like cooking, I can create Mindy's cooking channel, and every time a cooking video comes out, it comes into my channel. You were never able to do that."

Vince Camuto, who sells shoes, accessories and fragrance on the network, called Grossman "a true innovator in the business."

"She has already achieved tremendous success with HSN and has positioned the brand for multichannel growth through significant investments in the digital space and a fresh approach to product and partnerships," he said.

Badgley Mischka offers the American Glamour Badgley Mischka line on the network, which aims to translate the brand's glamour quo-



Mindy Grossman

PHOTO BY JOHN AQUINO

tient beyond the red carpet into everyday life.

"We didn't know what to expect," recalled Mischka. "We went from Tampa, where the show was shot, to Palm Beach, and people there started recognizing us. It has such a reach, which was really surprising to us."

Mischka first met Grossman nearly three decades ago, when she headed men's sales for Williwear Willi Smith and he was head of men's design.

"Her capacity is amazing," Mischka said. "The word 'no' doesn't exist with her. She looks at everything from a fresh point of view. She doesn't look at it from just a tried-and-true merchant-vendor relationship. She has a wide reach of looking at things, which we find very useful and very refreshing."

Richard Graziano of jewelry firm R.J. Graziano said, "We all expected changes when Mindy first started. What we got was the ultimate, supersparkling makeover."

The evolution continues and Grossman is brimming with ideas for HSN Inc., the network's parent.

"We've made decisions to divest of some businesses, like a Smith & Noble [home interiors firm], and you'll see some of that," she said. "We made our first acquisition of Chasing Fireflies in the children's space because it lines up with this aspirational family lifestyle. There's potentially technology businesses that will enable us to do more content or different things. There are things in what I call the 'gamification' world, married to social media, that could be very interesting and would enable us to do new things."

She called this "the most exciting time in the history of our company."

"We've fixed the fundamental foundation, we have a strategy that's working and we're in an environment where technology is enabling us to be so much more than we could ever be," Grossman added.



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WWD MILESTONES

From AM Radio to Multimedia Mecca

By SHARON EDELSON

Saying that HSN has come a long way since its founding in 1977 would be a gross understatement.

HSN was born as a fluke when an advertiser on a Clearwater, Fla., AM radio station couldn't pay his bill. The station owner accepted 112 electric can openers in lieu of cash, which he promptly auctioned over the air. The can openers sold out and led to a regularly scheduled shopping show, "Suncoast Bargainers." The concept in 1981 moved to local access cable in the Tampa area as "Home Shopping Channel." It graduated the following year to a regular local Tampa area cable system. Home Shopping Channel launched nationwide as Home Shopping Club, broadcasting 24 hours a day on cable and local TV. From there, Home Shopping Network began attracting attention. It went public in 1986 on the American Stock Exchange, sold a controlling interest to Liberty Media in 1993, and caught the fancy of Barry Diller, former chairman of Fox Inc., who in 1995 acquired HSN and became its chairman. He is now chairman and senior executive of IAC/InterActiveCorp. HSN was completely spun off from IAC in 2008.

HSN isn't the only player in the field. QVC was founded in 1986 by Joseph Segel in West Chester, Pa. QVC in 1989 acquired its top competitor at the time, the Cable Value Network. Diller in 1992 purchased a \$25 million stake in QVC. In 1995, Comcast purchased a majority stake in QVC, taking control of the corporation. That was the year Diller left QVC to buy HSN. Meanwhile, Comcast in 2003 sold its majority share in QVC to Liberty Media.

Other home shopping networks emerged in the early Nineties, but few gained much traction, leaving HSN, a \$3 billion multichannel retailer, and QVC, which generated \$8.3 billion in annual sales in 2011, to battle for customers and brands. Macy's in 1993 said it was launching a 24-hour home shop-

ping channel, TV Macy's. It was backed by network and cable veterans such as the late Don Hewitt, then executive producer of "60 Minutes," and Charles Dolan, chairman of Cablevision Systems Corp. But it was short-lived. By 1995, Macy's parent, Federated Department Stores Inc., had pulled the plug on the channel. Another channel, Fingerhut's S The Shopping Network, was canceled in 1994 shortly before its



Home Shopping Channel came about in 1981.

planned launch.

Diane von Furstenberg, Diller's wife, was one of the first well-known designers to try home shopping. She recalled her first brush with the venue in November 1992: she sold \$1.2 million worth of her Silk Assets collection during a two-hour appearance on QVC. The experience was redemptive.

"It's not what the clothes were about," she said at the time, "but it gave me a sense of security. I went from has-been to pioneer again."

Von Furstenberg in 1996 left QVC and signed with HSN. "The whole home shopping experience was the beginning of interaction between consumers and the screen," von Furstenberg told WWD. "I was very lucky that Barry and I had that experience.... It was an amazing experience."

HSN, which had been through several incarnations, would undergo a major overhaul, with the appointment of Mindy Grossman as chief executive officer in 2006.

Andrew Sheldon, executive vice president of television, live events and creative, helped Grossman re-

invent HSN in 2007 with new sets, graphics and on-air presentations, as well as an updated hsn.com. He's now in the throes of retooling the network once again.

"We are completely omnichannel," said Sheldon, who is now working on "the integration of social media into the HSN mobile app. Already, you can watch a high-definition feed of HSN on every platform. Now, you can chat while you're watching. The HSN host is able to see those chats and can say, 'So and so has a question about...' It's becoming this entire full circle of integration. During some shows we'll have a Twitter feed running on air."

"We're about to launch a media lounge within the TV studios," Sheldon said. "It will be a

space where a guest can use all the social touch points before or after they go on the air. We'll say, 'Queen [Latifah] is now in the media lounge. She's on Facebook if you want to talk to her.'"

Prior to the 2007 makeover, HSN hosts "used to grab your hand and take you to the till before we told you what the product was," Sheldon said. "Early in the changes, I tried to create a format where the host and guest would sit on a sofa and talk about the product. We sit much more when we're presenting than we've ever done. There's no reason why our food shows can't be like the Food Network and our home shows like HGTV. We have seen continual growth since we made the [initial] changes" that included new hairstyles

and wardrobe styling for on-air hosts. "There's been a growth in sales, even when the world went through this horrible downturn."

HSN has become adept at integrating new movies into its programming. For "Snow White and the Huntsman," HSN created a product collection around the film starring Kristen Stewart that included jewelry by Loree Rodkin and RK by Ranjana Khan, bedding by Hutton Wilkinson and peasant dresses by Colleen Atwood. "It was an unbelievable immersive experience. It was very successful," Sheldon said.

Another new programming wrinkle is HSN Live Music events, which have featured Mary J. Blige, Lionel Richie, Tony Bennett and Natalie Cole. The concerts are performed in front of small audiences, then posted on Facebook. The musicians have fragrances or CDs to sell, but the pitch is cloaked in entertainment.

Fashion has been growing and gaining acceptance since Stefani Greenfield, cofounder of Scoop and now chief creative officer of Jones New York, appeared in 2007 on HSN's "Scoop Style."

"That was the turning point for us,"

Sheldon said. "We were able to shoot it and light it and execute against it. Other designers saw it."

Designers and brands such as American Glamour Badgley Mischka, Label Rachel Roy, Lela Rose for HSN and Twiggy London "feel that we understand fashion and we understand styling now. We are shooting fashion in various cities and putting huge [ad] campaigns together. We're putting significant dollars behind fall and spring fashion."

Sheldon still has a lot on his plate, including the relaunch of hsn.com in the

first quarter. "It's going to become a very immersive, story-telling experience," he said. "We did recent photo shoots for fashion and beauty in New York because that's where the models are that we want to use."

Timeline

1977: HSN is founded with 112 electric can openers that are sold on a Clearwater, Fla., radio station, prompting "Suncoast Bargainers," a regular radio program.

1981: The concept expands into local Tampa Bay cable as the Home Shopping Channel.

1985: The Home Shopping Channel launches nationwide as Home Shopping Club with 24-hour programming.

1986: The Home Shopping Network starts trading on the American Stock Exchange.

1993: Liberty Media buys a controlling stake in the Home Shopping Network.



Barry Diller

PHOTO BY KRISTEN SINDOY/WHILEN

1995: Barry Diller buys the Home Shopping Network and becomes its chairman.

1999: Home Shopping Network acquires Ingenious Designs and hsn.com launches.

2000: Home Shopping Network becomes HSN.

2001: HSN purchases the Improvements brand catalogue and Web site from Hanover Direct Inc.

2005: HSN acquires leading catalogue and online retailer Cornerstone Brands and its portfolio of brands like Ballard Designs, Frontgate, Garnet Hill, Grandin Road and TravelSmith.

2006: Mindy Grossman joins HSN as chief executive officer.

{Continued on page 6}



PHOTO BY BOB CROSLIN

Andrew Sheldon



The Home Shopping Club studio in 1983.



HAPPY 35TH HSN!

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THANKS TO*

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& TEAM

WWD MILESTONES

Staying Ahead of the Financial Curve

By EVAN CLARK

HSN Inc., the retailer that's been as close as the TV remote control since 1994, had the most unlucky of starts on Wall Street.

Barry Diller was looking to simplify IAC/InterActive Corp. in late 2007 and deemed HSN ready to "thrive as a 'pure play' retailer." But when IAC spun off the home-shopping business, as well as Ticketmaster and LendingTree, that following August, few guessed the market was just weeks away from financial crisis.

Shares of HSN started out at \$11 and within months slumped as low as \$1.40 as investors sought to find their footing.

It turns out that Diller

was right — HSN was ready to thrive.

The company used the flexibility of its business model, which is devoid of the shelf space brick-and-mortar retailers need to constantly fill, and pivoted to what suddenly stay-at-home consumers wanted: more gear for cooking, not as much apparel or jewelry.

That flexibility helped fuel the company. Last year, net profits rose to \$123.1 million on sales of \$3.18 billion. The stock topped \$45 this month — a fourfold increase in four years.

"It's difficult to argue with the numbers," said Scott Tuhy, a debt analyst at Moody's Investors Service. "Since Mindy [Grossman, chief executive officer] came and they became a public company, they've had a very solid track

record. They have a very good understanding of who their customer is. That sounds like retailing 101, but not everybody does a good job of that. They understand their customer and I think the customer trusts HSN."

Perhaps that's because, just as shoppers watch HSN, HSN watches them back.

"We gather feedback from our customer; we measure our business by minutes," said Judy Schmeling, executive vice president and chief financial officer, who joined HSN the year it was founded.

Segment producers are used to thinking on their feet, and when customers aren't calling in to buy, they adjust.

"If we see that a product is not moving as quickly as we'd like, we move on to the next product," Schmeling said.

There's an art and a science to selling on TV, though.

"You need a great product, first of all," Schmeling said. "It has to have a great story and it has to have a great storyteller — someone who has a connection to that product, a reason for being. The customer can tell if this is just a celebrity up there trying to sell something they didn't have an affinity for."

Schmeling pointed to tennis star-turned-fashion player Serena Williams as an HSN presenter with the right passion and chops to connect with the consumer on the small screen.

And there are still more potential consumers out there with whom to connect. HSN broadcasts to 95.5 million of the roughly 114.6 million U.S. homes with a TV. But Schmeling said HSN has 4.7 million customers and so plenty of opportunities to in-

PHOTO BY BOB CHOSLIN



Judy Schmeling.

crease penetration.

Even so, HSN does not have that consumer to themselves. Larger rival QVC is also gunning for those same shoppers, and the company doesn't lack for competition in its other businesses. There's Cornerstone, which ships more than 300 million catalogues annually, and hsn.com, which is going toe-to-toe with a multitude of e-commerce and brick-and-mortar retailers.

"Digital is [HSN's] biggest threat and their biggest opportunity," Moody's Tuhy said. "Most everything they sell, it's not also at Macy's, it's also at Amazon. People

are spending less time in front of their TVs and more time on their iPads. As their customers, and customers in general, migrate online, they need to have a compelling online attraction."

The firm is trying to do just that with HSN Arcade, a gaming Web site that launched last year and lets users play versions of poker, solitaire and mahjong while being tempted to shop.

While Schmeling said it's still too early to say exactly how many sales dollars the arcade has added, she noted that the video game player was "definitely buying from us" — and that's the whole point.

Shopping from Home in the First Half

Key HSNi metrics for the six months ended June 30.

HSNi

Sales	\$1.51B	↑	6.0%
Profit Margin	37.2%	↑	80 basis points
Profit	\$56.9M	↑	8.9%

SEGMENT VITALS

HSN

Average price point	\$60.95	↓	-3.6%
Units shipped (millions)	20.4	↑	6.3%
Return rate	19.6%	↓	50 basis points
Digital sales penetration	34.4%	↑	150 basis points

CORNERSTONE

Average price point	\$76.59	↑	7.5%
Units shipped	6.2 million	↑	3.3%
Return rate	13.7%	↓	130 basis points
Digital sales penetration	62.6%	↑	330 basis points
Catalogue circulations	145.8 million	↑	13.7%

Timeline

(Continued from page 4)

2006: HSN introduces HSN Shop by Remote.

2007: HSN is relaunched with new sets, graphics and on-air presentations, as well as a revamped hsn.com.

2008: HSN adds social networking with MySpace and Facebook pages.

2008: The network enters a partnership with Condé Nast that kicks off with "Shop With Lucky" shows.

2008: HSNi spins off from its parent IAC and begins trading on the Nasdaq Global Select Market.

2009: HSN's Shop App launches and HSN and Verizon FiOS introduce the HSN Shop by Remote widget.

2010: HSN adds HSN2 on the DISH Network with an encore of HSN shows, products, brands and personalities.

2010: Rod Stewart's "Fly Me to the Moon" debuts during a one-hour concert event, selling 25,000 CDs in one hour, while Mary J. Blige sells 61,000 units of her My Life fragrance in six hours.

2010: HSN partners with Sony



Rod Stewart in 2010.

Pictures to support "Eat Pray Love" with 72 hours of special programming around the movie.

2011: HSN sells merchandise inspired by such movies as "The Help" and "Footloose."

2011: HSN launches retail's first casual gaming and digital entertainment portal called HSN Arcade, combining shopping, gaming and sharing.

2011: Joy Mangano sells her 350 millionth huggable hanger, the most successful HSN product ever and Diane Gilman sells 200,000 pairs of jeans in one day.

2012: HSN partners with HBO for a licensed beauty and home collection called Forsaken that is inspired by the HBO show "True Blood."

2012: HSN teams with Universal Pictures' "Snow White and the Huntsman" and sells exclusive products inspired by the movie.

2012: Lionel Richie's live-streamed concept sells more than 20,000 CDs in just one hour; NoNo sells out of 40,000 units of its innovative hair removal system in 12 hours.



Lionel Richie in the studio.

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35

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WWD MILESTONES

Expanding the Digital Array

By RACHEL STRUGATZ

HSN IS KEYED UP about mobile commerce.

The channel is the fastest-growing online business for the 35-year-old company, with m-commerce sales for the first half of 2012 eclipsing the \$65 million the network took in all of last year. HSN is on track to more than double this number by yearend, according to Jill Braff, executive vice president of digital commerce at HSN.

"Mobile really takes advantage of a few behaviors," Braff said. "We know we have a core consumer who watches us on TV, and she has mobile devices such as her phone and tablet, and we can create a two-screen scenario that brings her into the show in a different way."

Shoppers who interact across several channels spend upward of 50 percent more than a single-channel customer. Braff said their spending averages from \$700 to \$800 a year, but can jump up to \$1,300 for the consumer who engages across several mediums.

"She's also doing product research, as well, and for the consumers who may not be TV watchers, [we asked ourselves] how do we make that experience

using the medium don't have too much time.

"In digital, getting [performance] metrics to be positive equates to sales because, frankly, if she comes and has a problem, not only will she leave, but she won't come back," Braff said.

The executive said that e-commerce has been instrumental to HSN's digital strategy since it launched its online shopping channel at hsn.com in 1999, turning a profit within three months. Currently, HSN sees between six and eight million unique visits a month. Electronics is the most popular category for e-commerce, but Braff contends that, judging by "Her Hub" — its beauty, fashion, accessories and retail portion — it's the jewelry category that reigns as the bestseller.

Sales from e-commerce at hsn.com in 2011 constituted 34 percent of HSN's total sales and the company has seen 8 percent growth on this channel in 2012 to date. E-commerce has grown 65 percent in the past five years, according to Braff, who attributes its success to the merging of commerce and content, a focus for the retailer since its inception.

"[We've been bringing] this to life every day through TV for the past 35 years, and now we're looking at digital and how the consumer is changing. We see a great opportunity to really leverage the assets of the network, the same assets that have always made us," said Braff, citing entertainment, commerce, content and community. "We have always had a thriving commerce business, and this [further] comes to life through e-commerce, whether shoppers are helping other shoppers or even live chatting with one another. There are many more

ways for our community to help each other and connect to us through these digital platforms."

But mobile and e-commerce aren't just about the transaction; they are also an engagement vehicle that HSN leverages through its presence on various social media platforms. It entered the space in 2008 with MySpace and Facebook pages (it's been active on YouTube since 2007), and a year later unveiled its first iPhone app, the HSN Shop App, which gave consumers access to shop on three screens: TV, online through its digital flagship and via mobile device. In 2010, HSN came out with iPad and Android apps, as well as HSN Mobile. In 2011, QR codes were integrated on TV to drive mobile sales and, in June of that year, digital gaming platform HSN Arcade launched.

Social gamification is shaping up to be a major focus for retailers and brands online, and in the 14 months since HSN welded shopping, gaming and sharing in the free, 26-game arcade, it has seen an astounding 69 million game plays. Of the games, the

Today's Special jigsaw puzzle, based on HSN's "Today's Special," is the most popular, according to Braff, who calls the "casual gaming portal" an "incredible engagement tool." As soon as the day's special launches at midnight, a jpeg of the item is released for participants and the person who completes the puzzle in the fastest time wins the item.

"We want to be a poster child for social media and commerce, and we believe that our customer is so primed for social because she's very loyal and has a lot to say," she said. "We folded social into the whole HSN network, and the biggest change with digital here is that we recognize that the consumer is in the middle with all of these screens around her. It becomes the underly-

ing river of conversation that brings commerce to life."

In January, HSN partnered with technology provider Intel for HSN Touchwall, an interactive program designed to expand the reach with consumers beyond TV and the Internet through a collaboration with chef Wolfgang Puck. Users were able to engage by creating their own virtual pizzas using Puck's signature products, and each received an e-mail or text on their mobile device following the experience with a shopping list and links to order the ingredients online.

Most recently, HSN and HBO unleashed a highly integrated partnership surrounding the launch of the Forsaken collection, inspired by the cable network's show "True Blood." The selection of beauty products ranges from Deborah Lippmann's Sookie

Sookie nail polish to a D.L. & Co. candle with a fang lid. The campaign included teaser promos, viral videos from the "Human Shopping Network" and "True Blood" trivia and social chats with members of the show's production team. Braff revealed that the monthlong social campaign had 89.3 million impressions, 261,658 engaged users, 58,348 fans gained and more than 100,000 video views.

A series of All Access Birthday chats kicked off on Facebook July 1 in honor of HSN's 35th birthday. The retailer tapped celebrities such as Rachel Roy, Randy Jackson, Nate Berkus and Iman to foster engagement on the network's social and mobile channels through live chats on Facebook.

From Sunday through Sept. 22, HSN will launch its fall collections with an elaborate multiplatform commerce experience called the Ultimate Trunk Show, in partnership with Elle magazine. Industry tastemakers will star in "how-to" videos spanning the fashion,

Jill Braff



PHOTO BY BOB CHOSLIN



The HSN Arcade homepage.

really rich when we think about mobile? We're focused on this multichannel shopping behavior when consumers interact with us," she said.

As a result, HSN has built its mobile-centric products around shoppers' behavior. Braff explained that this consumer tends to be more of a hunter, and since she has less time on mobile, the retailer has begun to supply her with mobile recommendations related to items she may be "hunting" to give her more impulse buying or flash-sale opportunities.

Mobile also serves as a leading new customer acquisition channel, which means HSN must think about how to make this experience as seamless as possible across screens, whether it's video on demand, streaming live broadcasts or a chat. Braff said if a user is on hsn.com and places a product in her cart, she should be able to have one cart on all channels. She can start a purchase on one screen and then complete the transaction on another. Focusing on performance here is paramount, as most people



HSN's Facebook page.

jewelry, accessories and beauty worlds showing consumers their latest collections and must-haves for the upcoming season. The videos will live on hsn.com, HSN mobile and social platforms such as Facebook, Twitter, Instagram, YouTube and Pinterest.

"Digital is a very important driver of our overall business strategy as we work to provide content-rich experiences across all of our platforms that engage and inspire consumers," said Mindy Grossman, chief executive officer of HSN Inc. "We are committed to giving our customers the opportunity to experience HSN on her terms, whenever and wherever she chooses....Our digital dress shop and House Beautiful Marketplace initiatives are recent examples of digital-first strategies that have allowed us to apply what we've learned online to our on-air programming and elevate the HSN shopping experience overall. Our goal is for her to want to interact with us every day — not just when she wants to shop, but when she wants ideas, information, relaxation or entertainment."



HSN's "True Blood"-inspired Forsaken collection that came out Aug. 9.

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35th
Birthday



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WWD MILESTONES

Accessories Tell a Story

By ALEXANDRA STEIGRAD

WITH THE ADDITION of more exclusive fashion-forward accessories to its product mix, HSN has slowly changed how the industry views its business strategy and its customer, according to Bill Brand, executive vice president of programming, marketing and business development.

"When it comes to the product, it's about being on trend. It's about our merchants creating product that hits our sweet spot," he said, emphasizing the accessories and footwear categories as a standard bearer for HSN's growth. "When it comes to accessories, over the past three years, you've seen more national brands."

Beamed into 96 million homes across the U.S. with live-streaming segments available on its Web and digital sites, HSN has shrugged off the stigma of a shopping channel for dowdy couch potatoes and emerged as one of retail's most innovative multiplatform companies by luring in well-known designers and brand ambassadors. In recent years, HSN has fueled its growth by adding popular names such as Badgley Mischka, Naeem Khan, Iris Apfel, Sam Edelman, Vince Camuto, Carlos Falchi, Jessica Simpson, Serena Williams, Iman and Twiggy.

Designers-turned-celebrities, celebrities-turned-designers — and everything in between — flock to HSN's home base in St. Petersburg, Fla., to sell their wares, most of which are exclusive to HSN, in their own TV studio. Brands are selected by HSN based on selling power and the strength of the brand's story. In most cases, this means designers, brand ambassadors and founders had better be good at connecting with viewers at home.

"Great product is the price of entry, but you have to have a great story and be a great storyteller," said Brand, explaining that "creating a relationship" with the consumer is how HSN keeps customers coming back.

"HSN is about staying current. You have to be flexible and collaborative," he added. "Accessories is a high-growth category and it's a loyalty driver."

As a result, HSN has put a lot of thought into bringing in jewelry, handbags and footwear that are trendy yet affordable.

For footwear, the company's fastest-growing category within accessories over the last three years, the focus continues to be on attracting national brands, according to John Bosco, HSN's senior vice president of merchandising.

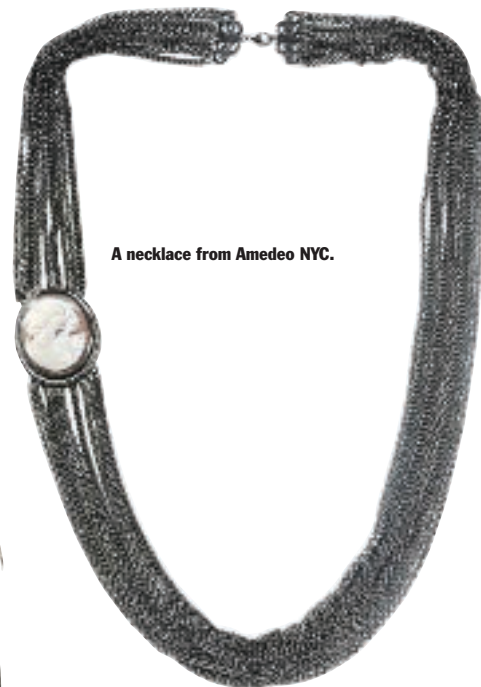
"In the footwear business, you need recognizable brands," he said, pointing to the recent additions of Vince Camuto, Steve Madden and Sam Edelman. "The customer wants the hottest trends."

With an offering ranging from \$99 up to \$299, HSN has not only increased the number of brands it carries, but it has also worked on getting exclusive product from those brands.

Vince Camuto's studded leather pump.



A snakeskin print bag from Iris Apfel.



A necklace from Amedeo NYC.

"When we look at designers in footwear, we try to understand their relevance as well as who our target audience is," Bosco noted. "We are looking to broaden the assortment when it comes to digital. That's where most of the variety is being added."

With the addition of its Web site in the last 13 years and a dynamic digital platform within the last six, HSN has had a larger opportunity to grow its stable of brands. This includes building out jewelry, which is the firm's second-biggest priority in accessories behind footwear, according to Bosco.

Jewelry, which emphasizes trends more than national brands less and trends more, is anchored by the strength of Rarities, a fine jewelry collection by Carol Brodie. While Rarities isn't fine jewelry in the traditional sense — its core offering hovers around \$249 — the brand does offer higher-priced styles that hit \$2,500.

Like most of the other HSN brands, Rarities uses classic designs found in fine jewelry and replicates them in more affordable materials including stones such as white topaz, cubic zirconia, peridot, amethyst and turquoise, and metals such as sterling silver, vermeil, stainless steel, black rhodium and 10- and 14-karat gold.

For HSN, the challenge in jewelry is maintaining the balance between design and quality.

"It has to be [about] designers [customers] know and bringing those designs to consumers at an accessible price point," Bosco said. "That's the kind of stuff where credibility and aspirational quality come into play."

The same holds true for handbags, Bosco explained. The more aspirational designs must be evocative of the designer's higher-priced collection at a more affordable price. For example, Carlos Falchi, who is relaunching his brand with new partner Li & Fung in September, will offer a collection of bags for HSN. Known for his quality work with exotic skins, the HSN line will replicate his signature looks in treated leather to keep the price attainable.

"HSN is a true partner. They help finance the shows. They are correct in terms of payment, and they have the most experienced buyers in the world who plan to sell out completely and they do," said Amedeo Scognamiglio, founder and chief executive officer of Amedeo, an Italian brand that has been selling its cameo-centric jewelry on HSN for 10 years.

According to Scognamiglio, HSN helps its

vendors develop the right product for its customer and it also acts as a sort of mentor through the selling process.

"What I like about HSN is that as a partner, you count. As a physical person, you are vital to the outcome and everyone is behind you," said Scognamiglio. "HSN has the most discerning customers there is. When you're on TV, you are not looking at them, they are looking at you and they can tell who's a fraud."

As a member of HSN's stable of brands, Amedeo NYC must pump out nine collections a year, and appear on TV nine times a year to sell them. Each collection takes about four months to produce, which means Amedeo is constantly working on something for HSN.



Earrings from Rarities, a fine jewelry collection by Carol Brodie.

But that's fine with Scognamiglio, who is also co-founder and co-ceo of fashion-forward fine jewelry brand Faraone Mennella. According to the designer, when he started with HSN, his fashion friends told him selling on TV would "tarnish" his brand. Now those same people are asking him how they can get on HSN.

"When you sell 1,000 units of jewelry at once and [HSN producers] are screaming for more, it's an amazing feeling," he said. "Designers love fashion shows, but the ultimate satisfaction is when you sell a product and when people buy a product."



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CONGRATULATES HSN ON 35 YEARS
OF INDUSTRY EXCELLENCE

WWD MILESTONES

Creating a Beauty Bonanza

By BELISA SILVA

"HOW DO YOU SELL 60,000 bottles of fragrance in a day when no one has smelled it?" asked HSN's general manager of beauty and merchandising, Betsy Olum. The answer is: "You tell a story."

In the beauty business for over 20 years, HSN has transformed itself from a relatively undeveloped beauty retailer with a handful of proprietary brands to a robust venue for more than 60 — across the color cosmetics, skin care, hair care, nail care, beauty tools, bath and body and fragrance categories.

"It's hard to believe that only six years ago 70 percent of our air time was dedicated to four proprietary beauty brands," said Olum, who named some of HSN's current best-selling brands as Serious Skin Care, Perlier, Signature Club A and Your Best Friend, which are all exclusive to the network, as well as Lancôme, Shiseido, Wei East, Boscia, Carol's Daughter and Benefit. "Things have changed dramatically over the past six years."

Although prior to the millennium, the direct-sell TV channel hadn't historically been the first choice for beauty brands, Olum said once chief executive officer Mindy Grossman — who took the helm in 2006 — unveiled her strategy for the network, things began to shift.

"Mindy's vision was that HSN would not just be a shopping channel, but an opportunity to provide entertainment and community," said Olum, who added that part of HSN's updated trajectory included bringing onboard harder-to-find prestige and specialty brands. "Suddenly it became acceptable to sell beauty on television. Brands saw the vision and thought, 'What a great opportunity.' It was about volume but also about building a brand's story. Women [also] opened themselves up to [the channel] and said 'Yes, I can do this.'"

According to Grossman, "knowing that the beauty category is an entrance point for new customers, we needed to diversify our portfolio with new brands that would attract consumers who may not have considered HSN before. We needed to become a true beauty 'authority' and bring product, demonstrations and innovation to our customers. As you can see, we've come a long way in transforming HSN into the ultimate beauty destination."

To that end, Olum said it's the blend of storytelling, education, accountability and authority that creates a climate of consumer trust — and patronage — for HSN shoppers.

"Unlike traditional and specialty store venues, we have a huge ability to bring [brands] to life," said Olum, who referenced the runaway success of Mary J. Blige's My Life fragrance, which, in July 2010, sold upward of 60,000 units in six hours, shattering all existing fragrance records at HSN. "When Mary J. got on and shared her stories, people's hearts opened up. This was a woman who had a lot of pain in her life and said, 'This [scent] represents my soul.' People could not stop calling."

Sean "Diddy" Combs was another who, in November 2009, blew out of the entire inventory of his I Am King scent in just one hour, prompting the network to cancel its scheduled second hour of programming. Similarly, Jennifer Lopez, who was on HSN in July of 2011, sold more than 51,000 units of her Love and Light scent in six hours of air time, while Eva Longoria's offering, Evamour, sold more than 8,000 units in two hours in March 2012.

"HSN really gives you the opportunity to become



Sean "Diddy" Combs on HSN promoting his scent I am King — which he sold out of in an hour — in November 2009.

acquainted and intimate with the person who works on the brand and how to use it," said Olum. "It's almost like your best girlfriend letting you in on the secrets of the industry."

With names like Mariah Carey, Kate Walsh and Nicole "Snooki" Polizzi from "Jersey Shore" also on HSN's beauty roster, it's clear the network has plenty of personalities to fill the airwaves — sometimes with unexpected results.

"With live TV 24-7 you never know what to expect," said Olum, who named a few stand out on-air moments, including an impromptu dance break with J.Lo and her mom, Guadalupe, as well as Carey's memorable — and now viral — post-baby birthing show.

"We're live television and we are about the truth," said Olum. "We have the greatest voracity and authenticity of anyone."

In the instance a guest should perhaps "say something off color or make claims not verified by clinicians," a five-second delay ensures that nothing is aired that shouldn't be.

"You can say almost anything you want in a brick-and-mortar [location] but on television you have someone sitting with a red button," said Olum. "You will never see anything we say or do that is not true. Someone is watching for you."

Looking to the future, Olum revealed that HSN has plans to extend its storytelling concept beyond the celebrity sphere and into the world of classic fragrances, with a focus on "memory fragrances."

"These are scents that you know your mom wore or that you wore as a little girl," said Olum, who named Lancôme Trésor as an example. "There is a whole customer that relates to that kind of classic fragrance."

Beyond fragrance, Olum said HSN plans to revisit and expand its hair care business, which she says represents the company's "biggest white space," as well as take on SPF, sun care and self tanning — a traditionally troubled category for the direct-sell platform — in a more substantive way.

"Telling that [SPF] story is really hard," said Olum, who revealed HSN's upcoming — and updated — sun care platform will include self-tanning, body bronzing and sun safety. "This will be a huge initiative to come."

As far as skin care and color cosmetics, Olum said the one-on-one experience of having an on-air beauty consultant or skin care specialist to explain the product and its benefits is just as important as it is with scent.

"You walk into [a store] and pull something off the linear and unless you get someone to help you, you don't understand [a product's] benefits," said Olum, who added that beauty tools featuring innovative technology, like at-home hair remover NoNo, which has sold over 280,000 units since its 2010 launch, have been flying off shelves. "HSN offers the opportunity to visualize and understand and make changes to your regimen however small."

To do just that, makeup artists like Vincent Longo, Trish McEvoy and Paula Dorf have been on to promote and explain their products as have Benefit founders, Jean and Jane Ford, and beauty entrepreneur Iman. Nail guru Deborah Lippmann is also a top seller, selling out of her Forsaken Lip and Nail duo in a mere 34 minutes.

"Our ability to tell the story — how to do a clean face, smoky eye or antiaging routine — and to follow that up online is pretty extraordinary," said

Olum, who added that HSN's Web site, on which a "significant portion of the beauty business" is conducted, offers customer reviews and expert blogs across all categories. For beauty, HSN also uploads how-to videos, which exist also on HSN's mobile, Facebook, Twitter, Instagram, YouTube and Pinterest pages, with tips from industry insiders like David Evangelista and Sally Hershberger.

"We want our customers to fall in love with our products twice — when they purchase and then again when they receive it," said Olum. "In terms of being truthful, we have to ensure we are true to both the consumer and the HSN brand at all times. That is how we earn trust and continue to evolve our business."

Cornerstone Takes Lifestyle Approach

HSN acquired catalogue and online retailer Cornerstone Brands in 2005.

Cornerstone comprises leading home and apparel lifestyle brands Ballard Designs, Chasing Fireflies, Frontgate, Garnet Hill, Grandin Road, Improvements and TravelSmith. More than half of Cornerstone's revenue comes from its e-commerce sites, according to the HSN Web site. Cornerstone operates separate e-commerce sites, distributes more than 300 million catalogues annually and has 11 retail and outlet stores. The segment had sales of \$461.2 million in the first half ended June 30, a 12 percent gain from the same period a year earlier; as gross profits rose 15 percent to \$190.3 million.

In April, HSN bought the Chasing Fireflies children's clothing business. Earlier this year, it sold two companies, the window-treatment company Smith + Noble in May and The Territory Ahead clothing business in July.

Garnet Hill, a 30-year-old label, has extended into multiple categories through the years. The company started out as an importer of English flannel sheets and has developed into a multichannel marketer, offering bedding, home furnishings, sleepwear, shoes, women's apparel and children's clothing online and through its catalogues. Today, the company ships internationally and offers the Garnet Hill guarantee: "If an item does not completely delight you, we'll take it back for exchange or refund. It's that simple."

TravelSmith is said to be another standout in the Cornerstone portfolio. It was founded in 1992 "with one compelling mission: to make travel as hassle-free and pleasurable as possible." To that end, the mail-order and online business specializes in wrinkle-resistant fabrics, both natural and high-performance, that it claims "look great after being stuffed in a suitcase for a week or worn on the red-eye overnight. We created stylish, versatile, easy-care clothing and developed lightweight, innovative accessories that make travel more secure and comfortable. And we hired like-minded travelers with a passion for sharing their knowledge and experience."

Another Cornerstone label, Ballard Designs, has an unlikely backstory. In 1982, Atlanta socialite Helen Ballard Weeks opened her Buckhead condo to photographers from Metropolitan Home Magazine to participate in its home-decorating contest. She won. Once the photos were published, 500 readers contacted the magazine asking where they could buy furnishings and other decor items like hers. A year later, she quit her job, sold her prize-winning home and started Ballard Designs. The first catalogue consisted of a two-page black-and-white brochure. Today, buyers travel the globe in search of inspiration to create timeless, European-inspired home furnishings for design-oriented customers.

"The Ballard Designs brand continues to grow through expanding catalogue circulation and its online presence as a trusted decorating resource," the brand's Web site notes.

— ROSEMARY FEITELBERG



Eva Longoria sold more than 8,000 bottles of her scent, Evamour, in two hours.

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SECTION II

WWD MILESTONES

Celebrity Connection Proves a Hit

By MARCY MEDINA

LOS ANGELES — HSN is ready to go Hollywood.

With a slew of multiplatform tie-ins with movies, music and television, the network is establishing itself as an entertainment and marketing channel though which studios can harness the power of its 96 million-home reach.

"A few years ago, we started to build a strategy around entertainment as a whole and said, 'How do we create a one-of-a-kind shopping experience surrounded by great products?'" said Bill Brand, HSN's executive vice president of programming, marketing and business development, who joined the company six years ago after working at Lifetime and VH1. "I didn't have HSN on my radar, but Mindy Grossman said, 'We can be an entertainment network.'"

Brand said during the first few years of his tenure, he and Grossman, HSN Inc.'s chief executive officer, had their work cut out for them, embarking on a Los Angeles road show to meet with the heads of marketing at movie studios.

"We said, 'We can combine shopping with your great stories and make a great experience for our customers.' Our women want to know what's going on in the movie world," said Brand.

With the vast viewership, the potential for ticket sales wasn't lost on studios.

"What they find appealing is we have an engaged customer base of women who respond to many of the things we present to them," he said.

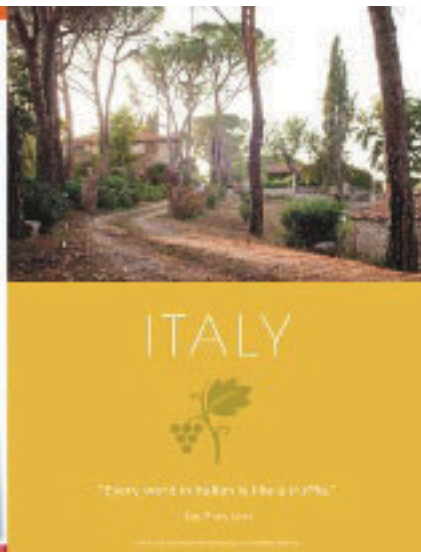
In August 2010, HSN launched its first movie tie-in with Sony Pictures' Julia Roberts vehicle "Eat Pray Love." The 72-hour event aired a week before opening weekend and included three full days dedicated to merchandise inspired by the three locations where the movie takes place: Italy, India and Bali, Indonesia. Branded merchandise included collaborations with Naem Khan, Robin by Me&Ro, Rebecca Moses, Hutton Wilkinson and Lancôme.

"Our customers loved it and they also went to the movie," Brand noted. "That really impressed the Hollywood community. Not only did we treat their property with respect, we also delivered audiences to theaters."

In pre- and post-event customer surveys, more than 75 percent said the HSN tie-in increased their interest in the movie, and more than 70 percent said they planned to see the movie on opening weekend. While there's no definitive way to calculate what percentage of the box-office take came from HSN customers, Brand said there's a definite correlation between



Above: Josh Turner in the studio. Right: Movie product tie-ins: "Eat, Pray, Love," "Snow White and the Huntsman" and "Footloose."



the marketing efforts and response from customers seeing the film.

"When we do entertainment events, we do see a spike in viewership and lift in engagement and sales," he said.

Since then, the network has done initiatives with the films "Footloose," "The Help" and "Snow White and the Huntsman." "The Help" event included exclusive collections by Lela Rose and Cynthia Rowley and cookware and food items from chef Martha Hall Foose and Viking, as well as a set appearance by Academy Award winner Octavia Spencer.

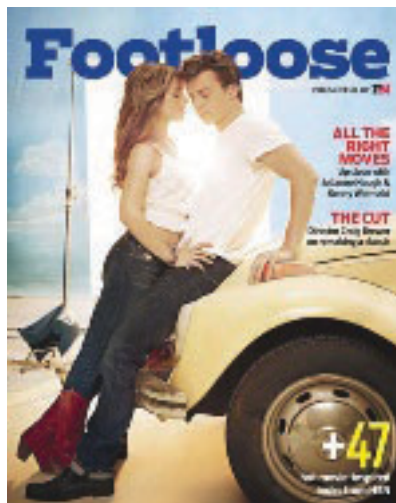
"We were extremely pleased. They are smart marketers who know their core audience and the two opportunities strategically aligned," said Don Gross, vice president of global promotion for The Walt Disney Studios, which handles all distribution and marketing for Dreamworks films, including "The Help."

But it's not just movies. HSN has also launched quarterly live musical events with stars such as Lionel Richie, Rod Stewart and Josh Turner.

"There aren't many marketing platforms for records anymore, so our TV team worked with the labels to bring it back. In addition to the live performances, we are able to give early access and something exclusive that they can have first," said Brand of the live concert shows and preordering the CDs.

HSN's most recent program was a TV tie-in earlier this month, the launch of Forsaken, a beauty and home collection inspired by HBO's "True Blood."

While Brand declined to reveal which movies are on the roster for next year, he said the network is in heavy production for the 2013 slate and already has staffers going to a



film set in Europe for a movie that opens in 2014.

"The Hollywood community understands what it takes to be successful, which is early access," he said. "You need nine to 12 months on these types of projects to create product and great experiences."

The "Snow White and the Huntsman" tie-in exemplifies this point. The network had access to visuals from the movie and to the set about a year before its release.

"My primary goal was to create a marketing vehicle for this film," said Stephanie Sperber, Universal Studios' president of partnerships and licensing. "At the box office, the HSN customer — women over 25 — tends to be underrepresented. To recognize that audience is very valuable. They tend to watch the channel for a long time, so having a 24-hour dedicated show with quality merchandise and content was a great thing."

An HSN designer got to

speak with Academy Award-winning costume designer Colleen Atwood in London, who told her that she had never created a consumer collection before. The resulting capsule collection launched on the channel's 24-hour May 30 event just before the movie's opening night. Atwood appeared on HSN to sell her line and share some of the original costumes and her stories about dressing the stars. Other merchandise included exclusive pieces by Loree Rodkin and Heidi Daus, as well as thematic items from Ranjana Khan and Adrienne Landeau.

"We are used to seeing licensed products and it far exceeded anyone's expectations," said Sperber. "If we ever have any movies that align with their customers, there's no question we'll be calling them again, and I'm sure other studios want to do the same."

For Paramount Pictures' "Footloose," HSN sponsored

the movie's Hollywood premiere in addition to 24 hours of programming featuring footwear exclusives from Vince Camuto, Steven by Steve Madden and Twigg London among other fashion and beauty merchandise.

LeeAnne Stables, president of consumer products at Paramount, said the studio is planning to partner again with HSN on an end-of-year release that Stables calls "a fantastic program that will probably go down in history as one of the perfect movie promotions."

Not only have the programs helped keep core customers engaged, they have raised HSN's profile among first-time users.

"Our goal is trying to convert them into customers by changing their perception of the brand," Brand added. "For us, it's been a key part of how we've repositioned the brand. We went out there, took some risks and now it's cool to see that the industry has taken notice."

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