



the real story of the behavior, which is much more integrated.

Curious, so can you talk a little bit about your merchandising strategy? And with consumer adoption, not only of online but of mobile, has that evolved or brought in out over time?

I would say, the core of our merchandise strategy is just the belief in bringing to the customer

---

---

---

---

from Onmao "y  
West Coast QVC, beyond those specific policies, I think part of what makes us successful and creates this kind of crazy lifetime loyalty we have, this is the mindset that says specific policies aside, our job is to make the customer happy, to earn the right to do business with that customer who wants to have a lifetime relationship with us, to be maniacally focused on her satisfaction, and if she's not satisfied, do anything we can do to fix it. And again, one of the things I like about zulily is they do have a different policy than we do on returns, they have a different policy than we have on shipping and handling. But as I said to our team when I explained zulily to our team, it was — those are the surface differences. What's common and true with the core is much more important, which is they have the same maniacal focus on satisfy the customer, do whatever it takes to keep her happy, make her a lifetime customer. If she's dissatisfied for any reason, overcompensate for her dissatisfaction. And I think that's the thing that sets Q apart, I think it will set ZU apart. And in a kind of impersonal world, it's sort of bringing that humanity and that commitment to customer satisfaction back into the equation in a really forceful way. Then the policies just become the trade-offs. We're transparent with the customer about the trade-offs of the different models. And they make those trade-offs or not as they see fit. But our mindset is whatever trade-off you choose as a customer, we're going to make you happy in the end, and we'll do whatever we need to do to do it and do it in a trustworthy way.

Great. I'll pause here. We will — mics have been floating around the room, so if anyone has a question, please feel free to raise your hand. Great.

I have a question, it might be totally kind of off base, I'm not that familiar with the QVC story. So do you have anyone who sells products off of YouTube like people who just go on — basically, people who are trying to replicate QVC's model but not on TV?

I may not fully understand the question. Let me see if I answer and...

Does anyone sell products via like free — some free TV medium?

So you're talking about competitors?

Yes.

I understand. I would say lots of people are trying to do things in that space, and you occasionally hear folks who announce they're going to be the QVC of some free medium. No one really with much success — I think you haven't seen a lot of success from commercial monetization off of YouTube. We use YouTube as a marketing platform. We . Let's p... n

---

I guess Liberty is known over the years for dealmaking, and I'm just wondering if there are other zulilys out there that you have some kind of M&A pipeline that you're looking at? Or is it more of a one-off deal?

Probably somewhere in between the two, but closer to the one-off. While Liberty has a history of, obviously, a lot of different kinds of interesting transactions, we, at QVC, have not been involved in many. We tend to kind of — we love our business and our model, and we've been very focused on it. So for QVC to kind of join up with Liberty to pursue this opportunity is kind of a very unique move for us. And it reflects our excitement and energy about what we think is a QVC-like model on the Internet. And having been presented with lots of different opportunities over

7

---

the years, this is the first one we've really — of any size and scale, that we've really gone after. We've done a couple of small ones from a learning standpoint, but this is the only one of meaningful scale that we've gone after. So it's by more the exception than the norm. That said, zulily kind of broadens our playing field. And if there are other really interesting things that emerge that we thought would be a fit with either Q or ZU, we would certainly be willing to look at them. But this doesn't signal some fundamental shift in our generally conservative and limited philosophy towards acquisitions.

Yes?

I'm Guido Campello from Cosabella. We actually had the fortune of starting to sell on QVC. We're actually a luxury women's intimate apparel brand. I think we were the highest average unit retail for sleepwear that you guys have ever done or one of the highest. So what is your push for hiring the average unit retail? zulily is another one of our customers, so we have an opportunity to kind of find a symbiotic growth in terms of your AUR. And how do you plan on building that on the luxury side?

Great to hear of your experience. And I would just say, one of the things that's been most encouraging to us over the last couple of weeks since we've announced the deal is how many of our vendor partners have reached out to us, who either are currently on Q or currently on ZU, or in some cases, on both, and are really energized by the opportunities. That just gives us more confidence that the vendor partners kind of see it as we do. I guess to add answer to your question about average prices, we tend not to focus as much on — we don't have a specific goal to try to list our average unit retails. Our view is always kind of let the customer tell us what she wants to buy. I think our job is to test the limits and so push with some luxury brand that might be out of our comfort zone in terms of the price point and see how the customer responds to it. But we're also happy selling low-priced products that she loves as well. For us, the filter is sales per minute of airtime, which you can get on a lot of units of a low-priced item or fewer units of a high-priced item. And clearly, on the e-commerce side of both, it's all about that velocity per unit of e-commerce real estate. So again, I think our job will be to test and learn how we can use both sites to kind of broaden our experimentation and our risk taking with merchandise at all price points, see what works, see what can be a feeder for the other and learn as we go. And our average prices have been going up kind of modestly over time. And so I think we've generally been in multiple categories kind of pushing to the higher end, not just in luxury apparel, but on the apparel side, you would see with designer apparel, our price points going up. In kitchen and cook, kind of high end of kitchen appliances, high end of beauty. So I think there's been a general trend over time that the customer sees even more value in that sort of luxury space when we can offer it on QVC. And so those tend to be the things that are working better for the business. And I think, at zulily, there's an opportunity which has a much lower average price point to push that even further.

So we touched on international briefly, but I think it's an important part of the story. Recently rolled out in France, can you talk about your playbook for scaling internationally? And are there any other big important geographies that you see QVC expanding towards?

So we've been on a path of opening new markets over the last few years. We've kind of set out a goal of roughly opening up a new market every 18 to 24 months. And we've generally been doing that, France the most recent one, launched in August 1. And what we're excited about with France, we've always wanted to be in that market, and there have been various barriers to getting in, so we're thrilled to be there, the largest economy from a GDP standpoint that we were not in previously. We're also excited because I think we really learned how to leverage the broader QVC platform. So relative to prior launches like Italy, the capital cost of going into France is a fraction of what we spend in Italy. The operating expenses to operate the business are lower on a run rate basis than Italy

8

---

because we're basically leveraging our global scale in smarter ways than we were probably able to do when we started Italy. So we think that enables us to get into more markets in a somewhat more efficient way. I should also mention our business in China that we're really excited about. And a few months ago, we hit a key milestone where we now broadcast in more homes in China than we do in the U.S. A fraction of the revenue, of course. But as I just said, there's a long runway in China for interesting growth over time. We're in about 109 million homes and more to come in China. In terms of new geographies, we're certainly interested in — there's some markets in New York that I think are potentially interesting. Some of the big economies are small in size but have a high GDP per capita. And there are a lot of markets that are either somewhat smaller but have the income level to support QVC or larger and developing nicely. That's what I would also say, it's fully — an uncertain world economy, we tend to go into these businesses with a very long-term orientation. We don't really care if the economy is weak today because we're going into a market that's not too dependent on the economy. And there's a lot of A fi

