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| **From:** | **Herrington, Doug** |
| **To:** | **Wales, Chance; Landry, Stephenie; Nenke, David** |
| **Sent:** | **6/8/2010 1:38:14 PM** |
| **Subject:** | **FW: Soap.com** |

I'm scheduling a deeper discussion with bezos on the topic: Plan to Win (esp w/in context of soap.com).

I'll craft a doc outline this week that marries the thought below with the "Plan to Win" we used with JAW.

One new initiative, in response to Soap.com, that I'd like sized ASAP is "We match soap.com and offer 2-day free shipping on any H&B order over $50"

I'll ask tara to set up a few review meetings prior to the bezos discussion.

D

-----Original Message-----
From: Herrington, Doug
Sent: Tuesday, June 08, 2010 9:44 AM
To: Bezos, Jeff; Wilke, Jeff; Piacentini, Diego; Hart, Greg; Blackburn, Jeff
Subject: RE: Soap.com

Soap.com is the long rumored expansion of the diapers.com into the hpc product space. From their announcements, they will be launching a 25k SKU assortment of hpc product on July 1st. The assortment can be accessed via a new front door called "soap.com", but from screen shots they released, it will be a "tab" on diapers.com that can be accessed through diapers.com as well. It looks like soap.com and diapers.com will share identity, cart, ordering thresholds, etc.. They have promised hpc pricing that is competitive with offline prices. They will maintain the same "free 1-2 day shipping on orders over $49" that they currently have on diapers.com.

Given diapers.com's strength and competencies, soap.com is our most significant short term competitor in the hpc space.

What are we doing?

1. We have already initiated a more aggressive "plan to win" against diapers.com in the diaper/baby space, which includes market leading pricing on diapers ("double your SNS discount to 30% off diapers and wipes"), a free PRIME offering for new Moms, and a structured and marketed "Amazon Mom" program". Per Greg's suggestion on Friday, we are scheduling some time to review this with you. To the extent this plan undercuts the core diapers business for diapers.com, it will slow the adoption of soap.com.

2. Ensure price and selection parity with the soap.com assortment at launch. This is table-stakes, but we are gearing up CMT and our vendor managers to ensure we have pricing and selection parity day 1 of their launch.

3. Improve our HPC assortment's value and attractiveness to customers. There are two 'weak spots' in our current HPC offering that can be exploited by savvy competitors. First, our price matching aggressively matches online competitors, but in HPC the price leaders are the offline prices of mass merchants and some conventional grocers. This is especially true in heavy/bulky items like paper towels, toilet paper, and laundry detergent. Second, we sell bundles of many products people would prefer to buy as eaches (e.g., shampoo, toothpaste, makeup). Even where our pricing is great, many customers balk at the "multi pack bundles" we require. We've had two recent competitors try to exploit these weaknesses: alice.com and now soap.com (while drugstore.com offers eaches, their pricing is much higher than us or offline). While we find no evidence that alice.com has gotten traction with vendors or customers, and can't see an economic model for them that pencils out, soap.com feels like a more credible threat.

Several weeks ago, we initiated two new efforts in HPC to begin improving these 'weak spots' and testing the customer responsiveness to see how aggressively we can move in these new directions. The two efforts are 'heavy/bulky offline price matching' and 'selective eaches'. For 'heavy/bulky offline price matching' we have focused on P&G's power brands of Tide, Charmin, and Bounty. We have been price matching to walmart and target instore pricing, as we find in circulars and some instore check. We match on base price (excluding Subscribe and Save discount). Offline, these are P&G's biggest volume movers. We want to see if we can build large subscriber bases in these heavy/bulky items, and use those shipments to baseload delivery of other product. For 'selective eaches', we are debundling our most customer-unfriendly mutlipacks, and testing the sales (and CP) impact of moving back to eaches. We will adjust and perhaps accelerate this effort in response to the specific eaches offered by soap.com.

Doug

-----Original Message-----
From: Bezos, Jeff
Sent: Tuesday, June 08, 2010 7:20 AM
To: Wilke, Jeff; Piacentini, Diego; Herrington, Doug; Hart, Greg; Blackburn, Jeff
Subject: Soap.com

There's a techcrunch post yesterday about diapers.com's parent co launching soap.com. Tens of thousands of skus. What do we make of this?