

**From:** Wales, Chance  
**To:** VanDuine, Jason  
**Sent:** 3/25/2010 11:26:35 AM  
**Subject:** RE: SIGN OFF REQUESTED: Pre-WBR Follow-up: Healthcare Pricing Strategy

ok

**From:** VanDuine, Jason  
**Sent:** Thursday, March 25, 2010 9:46 AM  
**To:** Wales, Chance  
**Cc:** VanDuine, Jason  
**Subject:** SIGN OFF REQUESTED: Pre-WBR Follow-up: Healthcare Pricing Strategy

Chance – please sign off (or provide fdbk) before I send to Doug.

Jason

Doug,

You had asked me to help you understand the ‘size of the issue’ with regards to diverted product as well as clarification on pricing rules/matching for the image competitor simulation in the Healthcare category. Some current data (from February):

1. The top 25 negative CP ASINs in Health & Beauty (all Image ASINs) accounted for \$265k in negative CP, 46k units and \$1.6M in product revenue.
2. The diverted product ASINs (8 of the top 25) accounted for \$109k in negative CP (41% of ttl), 14k units (31% of ttl) and \$366k (21% of ttl) in product revenue.
3. Babycare products accounted for 14 of the top 25 ASINs (13 diaper and 1 wipe ASIN) and the remaining 3 ASINs are vendor or operational cost issues that are being addressed.
4. The image competitor pilot in Healthcare will address 6 of the 8 ASINs referenced in #2 (it will not address Align and Alli – both in Nutrition & Wellness)

We do not plan any manipulation to pricing rules in the Healthcare category other than the setting of number of image ASINs to zero.

Use cases (for Pricing Rules): using Prilosec as the example (CP neutral = \$27)

Ref #	Use Case	Amazon Landed Cost	Comp Box Price	Comp Shipping Cost	Comp Landed Price	Amazon Match Price	Non-Prime (1% pad to FBA, 2% pad to 3P)	Prime (5% pad)
1	Walmart (Image Competitor)	\$27.00	\$28.00	\$0.97	\$28.97	\$28.00	Amzn wins buy box	Amzn wins buy box
2	DAB Nutrition (3P) + FBA	\$27.00	\$26.50	\$0.00	\$26.50	\$27.00	3P wins buy box	Amzn wins buy box
3	DAB Nutrition (3P) + no FBA	\$27.00	\$26.50	\$0.00	\$26.50	\$27.00	Amzn wins buy box	Amzn wins buy box
4	AlltheTimeWholesale + no FBA	\$27.00	\$22.00	\$4.50	\$26.50	\$27.00	Amzn wins buy box	Amzn wins buy box

The primary change coming is that we will now lose the buy box if 3P merchants continue to price below CP neutral (we will stop at CP neutral unless matching to an image competitor). As long as Prilosec is priced below \$27 landed price (excluding buffers), we will lose the buy box. Currently, the lowest landed is under \$20.

Estimated impact (based on simulation completed by the Pricing team) is a 6% negative impact on Healthcare category growth and a \$.74/unit positive impact on CP. Using OP2 as the base, this would translate to (\$750k) in revenue loss and (\$775k) gain in CP. We will begin the pilot in April and will measure results on a weekly basis (with highlights in the pre-WBR as appropriate).

If you have any further questions, please let me know.

Jason