

Life Stage Marketing: Amazon Student and Amazon Mom

Program Tenets

- Membership programs must provide tangible benefits that are highly relevant to the lifestages of key customer segments.
- Benefits will apply to not only the products but also services and customer experience we provide members.
- The rules for gaining membership and maintaining benefits will be clearly spelled out for customers.
- It must be as easy for customers to validate eligibility and sign up for our membership programs.
- Membership programs are created with a long-term, company-wide perspective with the goal of increasing loyalty and cross-category shopping behavior. The programs do not optimize for short-term gain or profitability in a single category.
- Amazon membership programs must offer the same or higher value than all credible competitors' programs.
- Customers will work to find the best value, but we need to heavily market the superior benefits of our programs to these unique customer sets.

Why Students and Moms?

In 2010 and 2011, Amazon will reach beyond traditional product and category focused marketing to attract customers at key life stages. The first two customer segments we will target are Moms and Students.

Developing a long-lasting, sticky relationship with these customer groups will drive significant downstream value across Amazon categories. Comparing our current "Mom" customers (defined as new customers who began their shopping with Amazon in the Diapers category), "Student" customers (defined as new customers who began their shopping with Amazon in the Textbooks category), and "Average" customers (defined as new customers who began their shopping with Amazon in any category), we can see that Moms and Students have a favorable year one downstream value relative to the average customer.

Year 1 Downstream Value, by Category

	DSV OPS for Yr 1			% of DSV by Category		
	Average	Students	Moms	Average	Students	Moms
Total Downstream Value for Yr 1						
Books						
Music						
Toys						
Electronics						
Video						
Home Improvement						
Video Games						
Software						
Video DVD						
Baby						
Kitchen						
Health & Personal Care						
All Other Categories						

Assumptions:

- Count of new Amazon Customers in sample: 4.6 M "Average", 296k "Student", 1.4k "Mom"
- All customers were new to Amazon in Q1 2009
- Data is normalized for outliers
- Highlighted cells indicate Top 3 highest spend categories by cohort

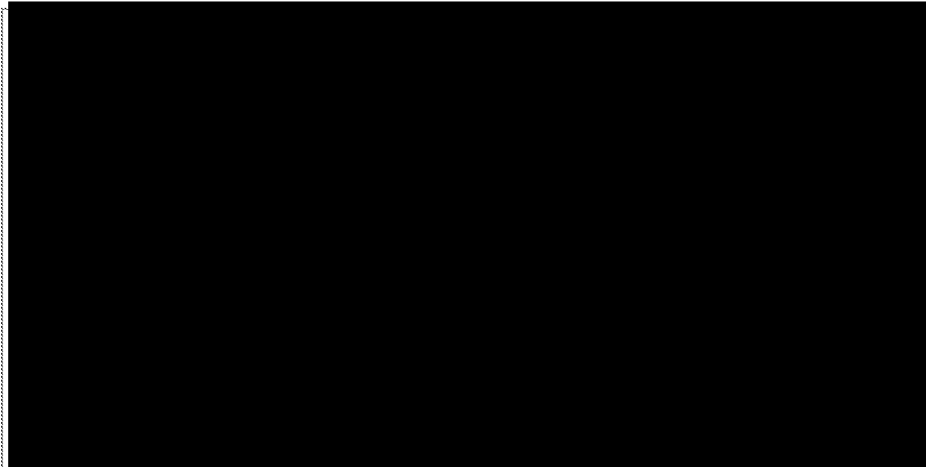
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Amazon's current data is supported by broader research: 85% of Moms report that having a baby "changed their purchasing habits"ⁱ, and the average cost of a baby's first year is more than \$10kⁱⁱ. More than 75% of US moms with internet access have made an online purchase, and on average these Moms estimate spending ~\$1200 online/yearⁱⁱⁱ. By attracting new Moms to Amazon and exposing them to a convenient and addictive shopping experience, we have the opportunity to immediately increase incremental revenue, and drive repeat visits to the site.

For a very different reason, Students are as attractive as Moms. They are a key customer group while they are in school (when they purchase \$900-\$1300/yr on textbooks and supplies^{iv}), and post-graduation their spending power increases versus their peers. According to The College Board (administrators of the SAT), four-year college graduates earn 61% or \$800,000 more than high school graduates over their working lives.^v

While Students have a slightly higher DSV than the average customer^{vi}, they represent a large opportunity for Amazon. During Textbook season months, [REDACTED] of Amazon's site-wide new customers make their first purchase in textbooks ([REDACTED] customers annually)—but [REDACTED] of Student's first year spend occurs in Books. We have a huge opportunity to engage students to shop cross-category. While 18-24 year olds make up 14% of the internet buying population, they currently represent only [REDACTED] of Amazon's customer base.^{vii} Although students are a longer-term bet in terms of return on investment, capturing the loyalty of this segment now will pay dividends as these customers spending power grows.



The Amazon.com value proposition (low prices, broad selection, convenient shipping) will resonate with both Moms and Students, but we need to break through the clutter with compelling programs that offer tangible benefits and speak specifically to these customer's life stage needs.

Opportunity Size

There are over 25 million Moms in the US with children under age 6. We will focus on the following segments for Amazon Mom:

- Online – more than 89% of Moms are online
- Registry / Prenatal – 40% of births are to first-time Moms and 81% of Moms register online
- Children in Diapers – 47% of Moms have children in Diapers (primarily under age 3)

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Segment Mix	
Registry / Prenatal	15%
With children in Diapers	75%
Toddler/Preschool Moms	10%
Members by EOY 2010 (millions)	
% of US Moms with children in Diapers	1.8%
% of online US Moms with children under age 6	1.3%
Members by EOY 2011 (millions)	
% of US Moms with children in Diapers	9.2%
% of online US Moms with children under age 6	6.5%
Revenue (Sep'10 - Dec'11)	\$ 23.3 MM

The target Student customer is someone who is preparing for or enrolled in a course at a degree or certificate-granting organization, or preparing to take a standardized test.^{viii} There are approximately 14 million students across more than 4,300 U.S. colleges.^{ix} Over the past year, we had [REDACTED] core textbook customers. [EP: request out to Rick for Y/Y growth in new customers to TB. Alternatively, we can do Y/Y growth in "core" TB customers – as a means of setting a 2011 goal for Student].

Comment [RGM1]: I think we need to break this down by 4-year, 2-year, graduate, for profit, etc.

Anticipated Investment

RICH

In 2010 our Amazon Student spend will be just over [REDACTED] including the cost of the free Prime membership, on-campus and online marketing (including Associates, Display and Facebook, and Sponsored Links), and promotions. In 2011 we'll expand that investment to [REDACTED] using the same methods we've tested so far in 2010 and found to be efficient over the past three textbook seasons.

Amazon Student investment

Projected membership	[REDACTED]
1-yr Prime membership	[REDACTED]
On-campus	[REDACTED]
Online	[REDACTED]
Marketing Total	[REDACTED]
Promotions	[REDACTED]
TOTAL	[REDACTED]

Notes:

- Membership projections are based on sign-up rates for past textbook free trials
- Prime membership CP cost is [REDACTED] based on previous textbook 3-mo trial metrics
- Marketing spend is actual for 2010, projected based on 2010 for 2011
- Marketing spend assumes major pushes in three seasons: Spring Buyback, Fall Purchasing/Back to school, and December Buyback/January Purchasing
- Promotions are actual through Q2 2010, projected going forward

Program Plans for 2010

The benefits chosen for these customers are designed to support our goals of encouraging loyalty and cross-shopping behavior, and for Students were based on feedback from our 2009 focus groups and survey.

Comment [RGM2]: We need to add a brief statement with metrics on the Amazon Student launch.

Feature	Amazon Student	Amazon Mom
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Sign-up Process	[Launched 7/12/2010] <ul style="list-style-type: none"> • www.amazon.com/student/join • Requires .edu email address verification • Collects school, major and year • Basic fraud checks • Replaces basic sign-up launched Nov. '09 	[Launch 8/31/2010] <ul style="list-style-type: none"> • www.amazon.com/mom/join • Collects gender and birthdates of children for age/stage personalization • Basic fraud checks
Program Landing Page	[Launched 7/12/2010] <ul style="list-style-type: none"> • www.amazon.com/student • Combined with RCX back-to-college page • Student-relevant deals and categories 	[Launch 8/31/2010] <ul style="list-style-type: none"> • www.amazon.com/mom • Program benefits, Mom-relevant deals and categories
Free Prime	[Launched 7/12/2010] <ul style="list-style-type: none"> • Free Prime membership for one year • All standard Prime benefits apply • No auto-upgrade to a paid membership as with free trials • Renewal and extension requirements TBD Q4 2010 (purchase threshold; reduced annual fee) 	[Launch 8/31/2010] <ul style="list-style-type: none"> • Free 3-month trial upon registration • Automatically renews if you spend \$25 in the previous 90 days in Baby/care • UI to identify which products count towards renewal • Renewal threshold UI (conceptually similar to 'Big Radish')
Email Offers	[Launched 11/2009] <ul style="list-style-type: none"> • Exclusive, high-value, timely and relevant cross-category email offers • Increased frequency (currently monthly – goal is weekly) 	[Launch 8/31/10] <ul style="list-style-type: none"> • Exclusive, high-value, timely and relevant cross-category email offers • 2x / month
Onsite Offers	[Launched 7/12/2010] <ul style="list-style-type: none"> • Exclusive, high-value, timely and relevant cross-category on-site offers • Vendor-funded coupons and category offers targeted to students 	[Launch 8/31/10] <ul style="list-style-type: none"> • Exclusive, high-value, timely and relevant cross-category on-site offers • Vendor-funded coupons and category offers targeted to students
30% off (already low prices) on Diapers and Wipes	n/a	[Launch 8/31/10] <ul style="list-style-type: none"> • Double the Subscribe & Save discount on Diapers and Wipes • Maintain flexibility in messaging so the discount can be easily lowered if proving too costly
New Customer Bounty	n/a	[Launch 8/31/10] <ul style="list-style-type: none"> • 10% one-time discount for customers new to the Baby store • Discount applies to Baby/care items
Refer a Friend Bonuses	[Launching winter 2010-2011] <ul style="list-style-type: none"> • In the near term, we will focus our social marketing on sharing info about the program with friends. In winter we will launch a formal referral program. 	n/a

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Advance notice on deals to Facebook page members	<p>[Launching Q3 2010]</p> <ul style="list-style-type: none"> Give Amazon Student Facebook page followers advance notice of deals to encourage membership in Amazon Student as well as drive followers of the Facebook page, which allows us to communicate with them going forward in a highly relevant channel. 	n/a
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2011 & Beyond

We will continue to 'think big' about ways in which we can improve the program benefits, build awareness, and ultimately, deepen our relationship with Moms and Students.

Feature	Amazon Student	Amazon Mom
Amazon Site Experience	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Personalized content, offers, search options Personalized store for each child (ie: tab for "Henry's Store", "Clare's Store") Integration with Baby Registry Mom Vine reviewers Green Mom Vine reviewers
Customer Service	<ul style="list-style-type: none"> Dedicated customer service number 	
Social Media	<ul style="list-style-type: none"> Personalize offers based on Facebook profile (Facebook Connect) Greater prominence of 'share' and other to-be-developed features 	
Blog Community	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Conference to sample new products Drop product placements Let bloggers create an entity page and receive associates revenue
Ambient / Grassroots Marketing		<ul style="list-style-type: none"> Prenatal Moms: OB-GYN clinics, Childbirth Educators, Midwives, and Doulas Moms of Infants: Lactation Consultants, Peps, other parenting groups Toddler/Preschool Moms: Pediatrician Offices and Daycare Centers
Referrals & Incentives	<ul style="list-style-type: none"> Benefit a cause or group (ie: every \$x spent, donate \$0.0x to a 501c of your choice) Leverage associates channel for highly-relevant groups, publications, etc. 	

Appendix:

-Metrics Template

-Summary of DSV methodology

While our current financial systems act as if each customer purchase is an isolated and one-time event, we know intuitively that all sales are not created equally. Generating a sale to a customer in a high repeat purchase category (e.g. diapers) is more likely to lead to incremental sales over the ensuing year than a “one-and-done” sale such as buying the last book of series. The objective of the Downstream Value (DSV) project is to determine the incremental long-term customer value generated by specific product purchases.

Downstream value replaces “Lifetime Value” as the term we use to describe predictable future spending. We have shifted to Downstream Value in recognition of two facts. First, we are not always ascribing to future value to specific individuals, so the word “Lifetime” doesn’t work. Second and more importantly, the word “Lifetime” suggests we’ll always project the entire lifetime relationship between a customer and Amazon, while “Downstream” allows for multiple time windows, such as “1 year DSV” or “3 year DSV.”

The purchases-of-interest we analyzed in this case are: 1) the first purchase in the Diapers subcategory (a proxy for “new Moms”) and 2) a core Textbook purchase (a proxy for “student”).

Our DSV approach compares the average future revenue streams of customers who purchase from a particular product-of-interest (treatment population) to a similar collection of customers who purchased on the same-day but not from the product-of-interest (control population). Since the diapers customers are buying for the first time from their subcategory, we collected a sample of [redacted] customers who purchased for the first time on the same day but from a non-HPC product group. For core-Textbook customers, we collected a sample of [redacted] customers who also bought on the same day but not a textbook ASIN.

In order to control for potential population biases, we segment both the treatment and control samples into [redacted] RFM segments¹. The RFM segments were created by scanning customers trailing twelve months (TTM) of activity prior to their first purchase and grouping them into three separate quintiles based on: days since last order, number of orders, and total OPS (R-F-M, respectively). The quintile ranges for each of the RFM metrics used for the Diapers customers are provided in the table below:

Table 1: RFM metrics quintile ranges for Diapers

R	Customer Count	MIN days since last order in TTM	MAX days since last order in TTM
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

F	Customer Count	MIN Orders in TTM	MAX Orders in TTM
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

M	Customer Count	MIN OPS in TTM	MAX OPS in TTM
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Our approach then makes treatment-versus-control comparisons on a *segment-by-segment* basis so that similar populations are compared. For example, highly active customers [redacted] from the treatment group are compared to highly active [redacted] overall customers. The ensuing [redacted] of revenue (DSV) is collected for both customer groups and the within-RFM-segment averages (medians) are calculated and differenced. The segment-

¹ RFM stands for Recency, Frequency, and Monetary Value

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level incremental DSV is then aggregated across RFM segments by taking a *weighted average* of the segment level incremental impacts based on the expected distribution of RFM segments across the target population. Since we do not know the expected RFM distribution of future customers we may acquire through marketing and loyalty programs, we use a proxy based on the distribution of RFM segments within the existing treatment groups.

ⁱ BabyCenter's "21st Century Mom" Report", June 29, 2009,

http://www.babycentersolutions.com/downloads/BabyCenter_21st_Century_Mom_Press_Report_Press_Release.pdf

ⁱⁱ BabyCenter, Baby Cost Calculator using inputs based on BabyCenter research and a survey of more than 1,000 new moms,

<http://www.babycenter.com/babyCostCalculator.htm>

ⁱⁱⁱ Forrester Research

https://portal.ant.amazon.com/sites/Mom%20Think%20Tank/Shared%20Documents/Research%20and%20Data%20on%20Moms/Forrester%20Research/technographics_insight_moms_and_digital_habits.pptx

^{iv} According to figures reported by The College Board which estimate \$702/student/year; and cross-verified with census data 'The average estimated cost of books and supplies per first-time, full-time student for academic year 2003-2004 was \$898 at 4-year public institutions' as per GAO report <http://www.gao.gov/new.items/d05806.pdf>; also "2009 Trends in College Pricing" states that the average undergraduate spend on books and supplies for the 2009-2010 academic year will be \$1,122.

^v GAO report on Higher Education: <http://www.gao.gov/new.items/d08245.pdf>

^{vi} Note that new Textbooks customers acquired in Q3 2008 (peak Textbooks season) had a year one DSV of \$114.62, higher than the Q1 analysis of \$99.62

^{vii} Retail All Hands Student presentation, Feb. 2009

^{viii} This includes two and four-year colleges, whether they are public, private or for-profit, other certificate programs (ITT Tech), and tests such as the SAT and professional school entrance exams (GMAT, LSAT, MCAT), as well as specialized professional certification exams for medicine, nursing, law and other fields.

^{ix} GAO report on Higher Education: <http://www.gao.gov/new.items/d08245.pdf>