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**From:** Wales, Chance  
**To:** Herrington, Doug  
**CC:** Rothman, Michelle; Furphy, Tom; Nenke, David  
**Sent:** 2/9/2009 8:51:19 PM  
**Subject:** Re: Diapers.com - looked at them ever?

I'll make sure we're matching and loop back.

On Feb 9, 2009, at 7:10 PM, "Herrington, Doug" <[REDACTED]> wrote:

Good point. Let's keep this as an option to consider. First let's make sure we are 100% matched, then see if we feel we need to go further.

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**From:** Rothman, Michelle  
**To:** Herrington, Doug; Furphy, Tom; Nenke, David; Wales, Chance  
**Sent:** Mon Feb 09 18:58:53 2009  
**Subject:** Re: Diapers.com - looked at them ever?

BTW: when we first launched the toy and baby stores post TRU, we set up pricing rules that stated that if TRU was the lowest priced competitor, that we would match at a 5% discount.

If we want to be sharper on price to account for diapers.com free two day shipping, we could set up a rule that prices us \$xx below them when they are lowest matched competitor for the baby care category??

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**From:** Herrington, Doug  
**To:** Furphy, Tom; Rothman, Michelle; Nenke, David; Wales, Chance  
**Sent:** Mon Feb 09 18:35:27 2009  
**Subject:** RE: Diapers.com - looked at them ever?

The story was that peggy was exploring why our baby sales were down so much, and she saw that they had a sale going on on their site. And she checked the pricing tool, and there were no recommendations. So she hand loaded a bunch of changes.

I have no idea how long this sale has been going on. I just looked on Alexa, and it looks like they've had a boatload of traffic all Jan (for them). I'd be interested if anyone can figure out where this is coming from.

Michelle and Tom: please audit that we are price matching (ignoring SNS, as we agreed) any diapers.com pricing. If this puts us in the soup with P&G on their pampers map price, so be it. We will pull them back out of SNS if they want. Given that these guys are offering free 2day shipping on everything, price matching still leaves us \*behind\* because of the slower delivery speed. Please verify there are no gaps in our price matching for any MAP reasons, etc.

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**From:** Furphy, Tom  
**Sent:** Monday, February 09, 2009 6:28 PM  
**To:** Herrington, Doug; Rothman, Michelle; Nenke, David; Wales, Chance  
**Subject:** RE: Diapers.com - looked at them ever?

I agree on all fronts, Doug. What was the wbr CMT story that was depressing? What is failed price matching? How did we fail price matching?

I have a food competitive analysis almost ready to forward. Will also have diapers in a day or two.

I'm sure their pure fulfillment costs are better than our allocated costs. But that shouldn't deter us. In the near term we should advocate out a better internal allocation to reflect our true costs (or at least recognize the limitations of our current methodology), or we should keep driving efficiencies like "no stickering required". We should also make sure that we beat them to the direct "end-of-production-line-direct-to-consumer" model with P&G.

They must a bigger P&G diaper customer than us, and we should recognize that as we negotiate.

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**From:** Herrington, Doug  
**Sent:** Monday, February 09, 2009 6:12 PM  
**To:** Furphy, Tom; Rothman, Michelle; Nenke, David; Wales, Chance  
**Subject:** FW: Diapers.com - looked at them ever?

\*\*do not forward\*\*

More evidence these guys are our #1 short term competitor. As I've mentioned to each of you, I think, we need to match pricing on these guys no matter what the cost.

They also offer Free 2-day shipping on any order over \$49.

Today's wbr story that CMT price matching failed for them was depressing.

Michelle- please make it top priority to get the CMT matching back up and running for them. And please verify that we are matching against everything they sell. Also, please report back to why it failed for them and what we can do to audit it going forward.

Adding Chance: These guys are selling all kinds of baby products. Please verify that they are in your external competitor match list as well.

Michelle/Tom: We need a similar competitive overview of these guys as we are doing for Costco. For both, I want to know how many asins they are selling, and where their price points are.

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**From:** Herrington, Doug  
**Sent:** Monday, February 09, 2009 6:05 PM  
**To:** Booms, Douglas; Nenke, David  
**Cc:** Saito, Steven; Furphy, Tom  
**Subject:** RE: Diapers.com - looked at them ever?

Adding Tom

They approached us a few years ago, asking about delivering diapers for us as a dropshipper.

They are our biggest competitor in the diaper space. They keep the pressure on pricing on us. They apparently have lower fulfillment costs than we have (or are allocated). They are a merchant on our site, with a few asins.

They also recently installed KIVA material handling equipment in their FC... which we've been looking at.

I'm interested. At the numbers below they may be giving us a run for our money. We can approach them through the "we would be willing to explore a range of relationships" angle.

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**From:** Booms, Douglas  
**Sent:** Monday, February 09, 2009 5:59 PM  
**To:** Herrington, Doug; Nenke, David  
**Cc:** Saito, Steven  
**Subject:** Diapers.com - looked at them ever?

Herrington and Nenke,

How are you guys doing? A couple of things.

First of all, have we ever looked at Diapers.com? They participated in the eToys auction (were quite aggressive actually, but didn't win anything) and in the process had to expose some details about the company that were intriguing. Most notably their growth. Check it out:

Founded Jan 2005

Currently has sales over \$150MM

650,000 registrants

Sales History:

2005 \$2.5MM

2006 \$11MM

2007 \$36MM

2008 \$89MM

2009 (projected): \$172MM

Company has \$12MM in cash.

Funding – raised \$17MM to date from Bessemer and Accel and others.

Good growth, no? Would be expensive, but do you think there is a pony in there? Could be an interesting fit with Fresh in some ways. Ie. Diaper delivery, baby

products delivery on short time frame. Just brainstorming. Let me know your thoughts on that category and if you think it has legs. They were aggressively bidding at the eToys auction, so I think they are feeling they may need to branch out into other categories.

DB