

## **RECKITT BENCKISER/K-Y BRAND MERGER INQUIRY**

### **Summary of hearing with Amazon on 3 March 2015**

#### **The proposed merger**

1. Amazon said it did not have any concerns about the proposed merger between Durex personal lubricants (owned by Reckitt Benckiser (RB)) and K-Y jelly (owned by Johnson & Johnson (J&J)) because its sales of K-Y jelly were very small, so any merger would not make much difference to its personal lubricant category.
2. [✂]

#### **Amazon's negotiations with RB and J&J**

3. Amazon said that it negotiated with both RB and J&J [✂].
4. [✂]
5. Amazon said it listed virtually the full selection of products from its vendors [✂].
6. Amazon said it did not discuss retail prices at all with RB or J&J. [✂]
7. [✂]
8. Amazon said its response to any proposed cost price increase by RB would depend on the size of the increase. [✂]
9. [✂]
10. [✂]
11. Amazon said it had not stopped buying directly from RB for any period of time.
12. [✂]

#### **Amazon's sales of personal lubricants**

13. Amazon said its volume of sales of personal lubricants had grown significantly in the past four years. [✂]

14. Amazon said that the amount of sales of Durex personal lubricants had increased significantly and sales of K-Y jelly had not really changed much because [✂].
15. [✂]
16. [✂]
17. [✂]
18. Amazon said it did not have any public price-matching commitment, but it liked to think it had the keenest prices for its customers.

## **Promotions**

19. Amazon said it ran very few promotions on personal lubricants. Amazon said it had run some short-term promotions which were often at its initiative and designed to drive a short-term increase in sales. Amazon said that sometimes its vendor managers would reach out to vendors seeking support and promotions, and sometimes a vendor would have some marketing activity and contact Amazon seeking a promotion on the website.
20. [✂]
21. Amazon said it would not promote different brands of personal lubricant at the same time. Amazon said it would use 'lightning deal' promotions within personal lubricants which were very short time-based deals that lasted for two to four hours.
22. Amazon said the 'lightning deal' promotions used for personal lubricants would be determined by the vendor manager and agreed with the vendor. These were not big annually planned activities. It was possible for Amazon to agree a 'lightning deal' with a vendor and then run this deal two days later.

## **Closeness of competition between Durex, K-Y and other personal lubricants**

23. Amazon said it had not seen any data or research showing consumer behaviour in relation to their choice of personal lubricant brands.
24. Amazon said it did not have any data showing how consumers viewed Durex and K-Y personal lubricants, but Amazon categorised both brands within personal lubricants so it saw them as close brands.

## **Planned purchase versus impulse purchase of personal lubricants**

25. Amazon said that there could be an element of impulse purchasing of personal lubricants because it did see a short-term uplift in sales of personal lubricants when it ran 'lightning deal' promotions.
26. Amazon said it sold pretty much everything on its website so it was not specifically targeting customers who might be embarrassed to buy certain products such as personal lubricants in shops.

## **Competition between sales channels**

27. Amazon said that it considered all offline and online sellers to be its competitors within the personal lubricants category.
28. Amazon said it monitored the prices of both offline and online sellers when it set prices. This included monitoring large specialist adult shops such as Ann Summers.
29. Amazon said it was difficult to say if an increase of 5% in the prices of personal lubricants in 'bricks and mortar' retailers would result in more customers switching to Amazon. This would depend on the prices that Amazon was charging and the format that customers wanted to buy.
30. Amazon said its other online competitors in sales of personal lubricants include Boots, Lovehoney, SexToys.co.uk, Sexshop 365 and some pharmacy online retailers such as Pharmacy2U. Amazon said eBay was not considered a competitor in this category because it was seen as a place for second-hand products.
31. Amazon said it did not know the size of the online market for personal lubricants.

## **Entry and expansion of personal lubricant suppliers**

32. Amazon said there were lots of different routes for vendors to get listed on Amazon. The simplest route was for a seller to click on the 'Sell on Amazon' link at the bottom of the website's home page, and they could then set themselves up as a seller. Amazon said it also had a team of vendor managers whose role included proactively contacting companies to see if they wanted to sell their products on Amazon.
33. Amazon said that in order for vendors to sell through Amazon Retail it would want to see that proposed products could sell profitably. [✂]

34. Amazon said that to sell through Amazon marketplace, sellers had to pay, for this particular category, a commission fee of 15%.