



# Recommendation for Market Entry

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# Meet the Team



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- 01  **Executive Summary**
- 02  **Problem to Recommendation**
- 03  **Rationale for Recommendation**
- 04  **5-year Implementation Strategy**
- 05  **Risks and Mitigations**

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# Including insulin in RxPremium will meet untapped market demand to capitalize on industry growth

## Hypothesis

**RxPass should partner with Eli Lilly to sell insulin through a tiered subscription service to capture market share leadership in the growing online pharmaceutical category**

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## Opportunity Analysis

- Out of the 30 million Americans with diabetes, almost 1 in 3 require insulin
  - Historically, diabetics have been frustrated with the price of insulin with little change
  - Millennials and Gen X, Amazon Prime's main demographic, do not benefit from the recent Inflation Reduction Act
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## Implementation Recommendation

- Create an exclusive partnership with leading insulin manufacturer Eli Lilly make insulin more accessible as part of new a \$25/month RxPremium subscription
  - Develop a cross-platform strategy to convert Millennial/Gen X Amazon Prime users to RxPremium
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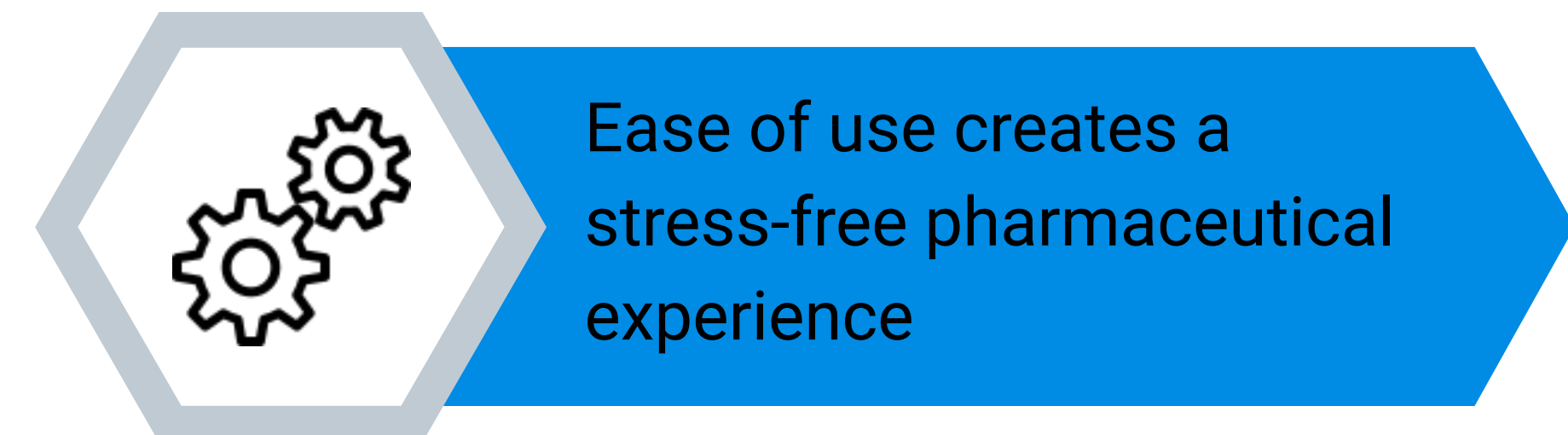
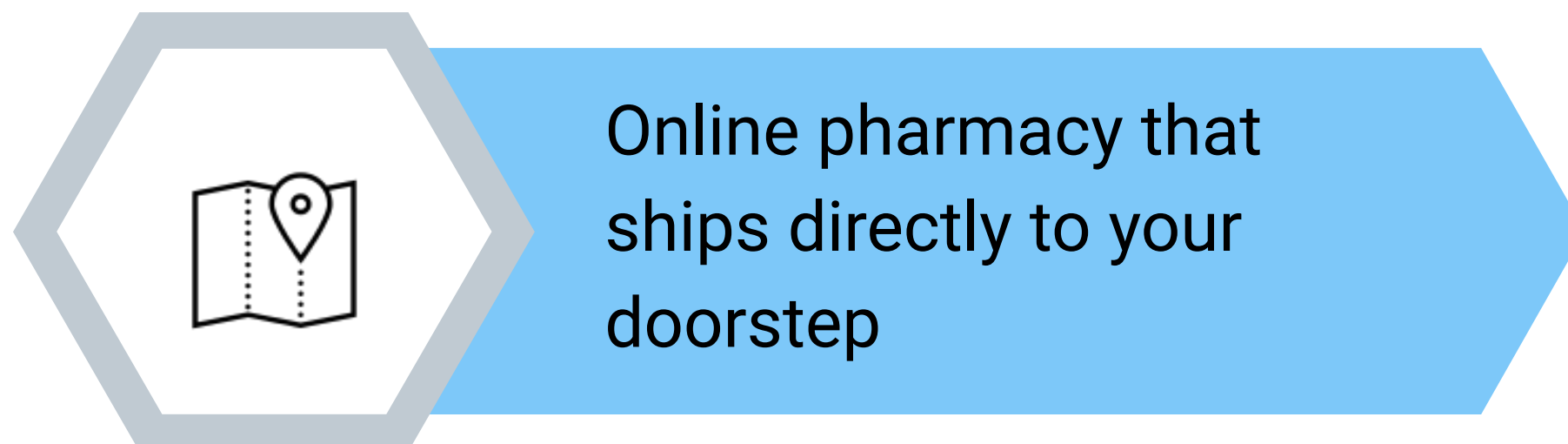
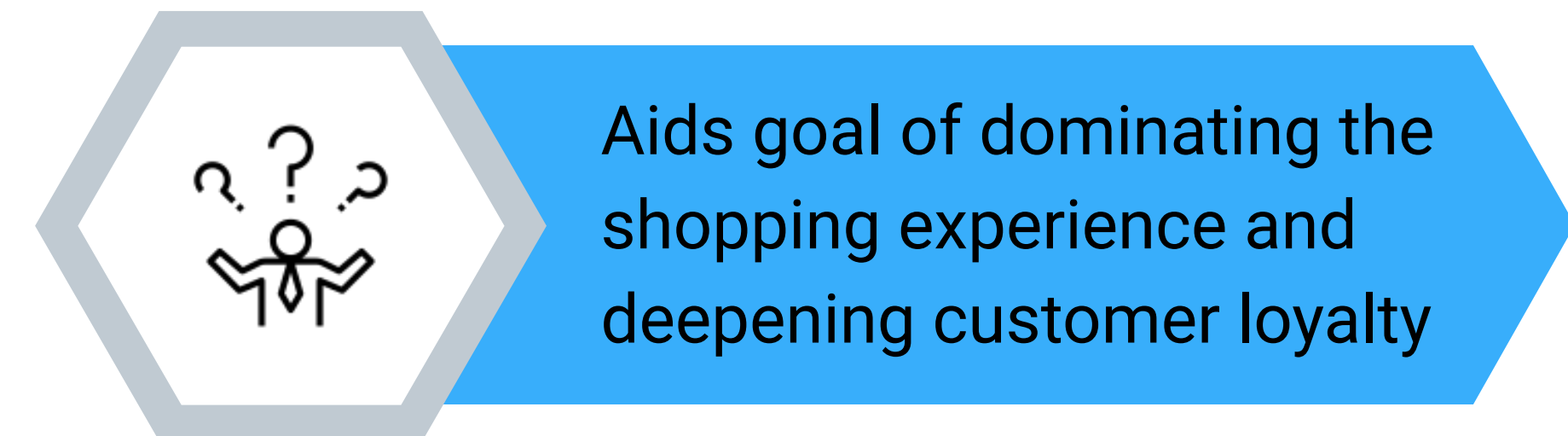
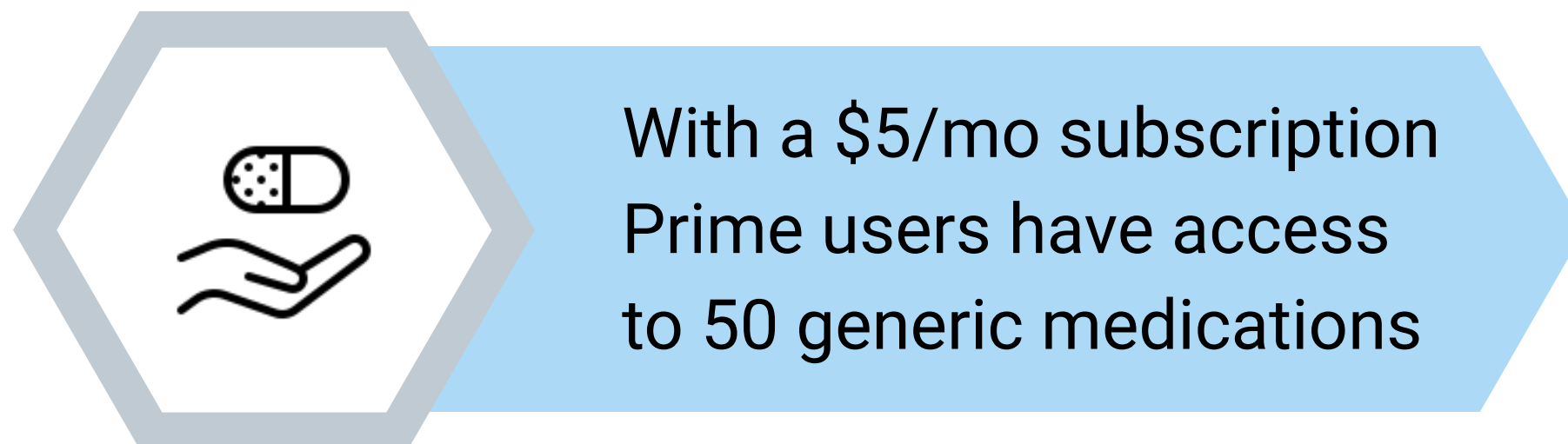
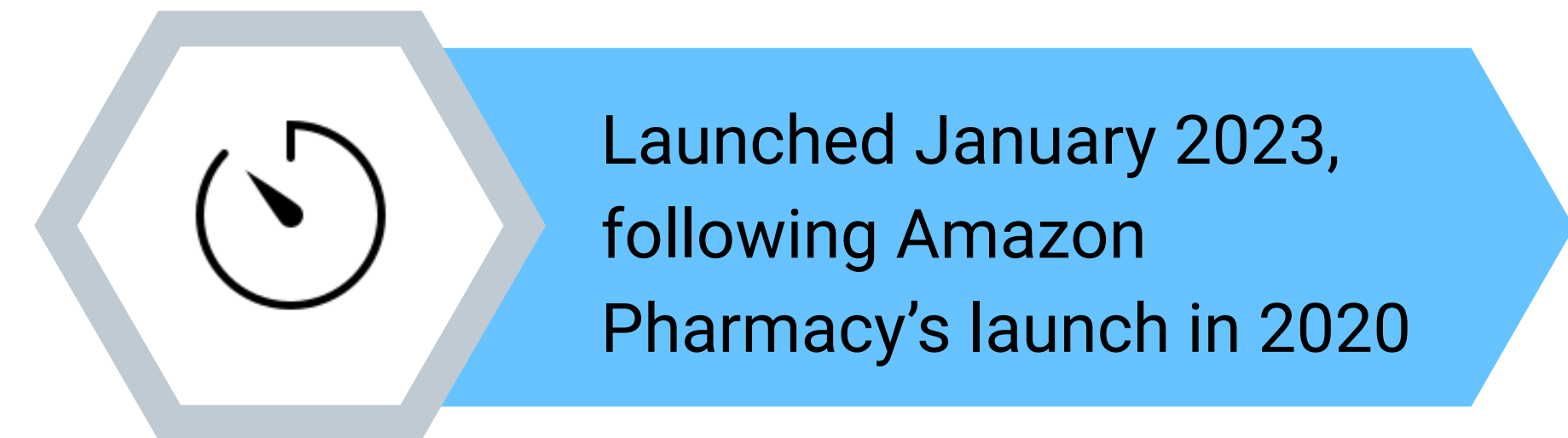
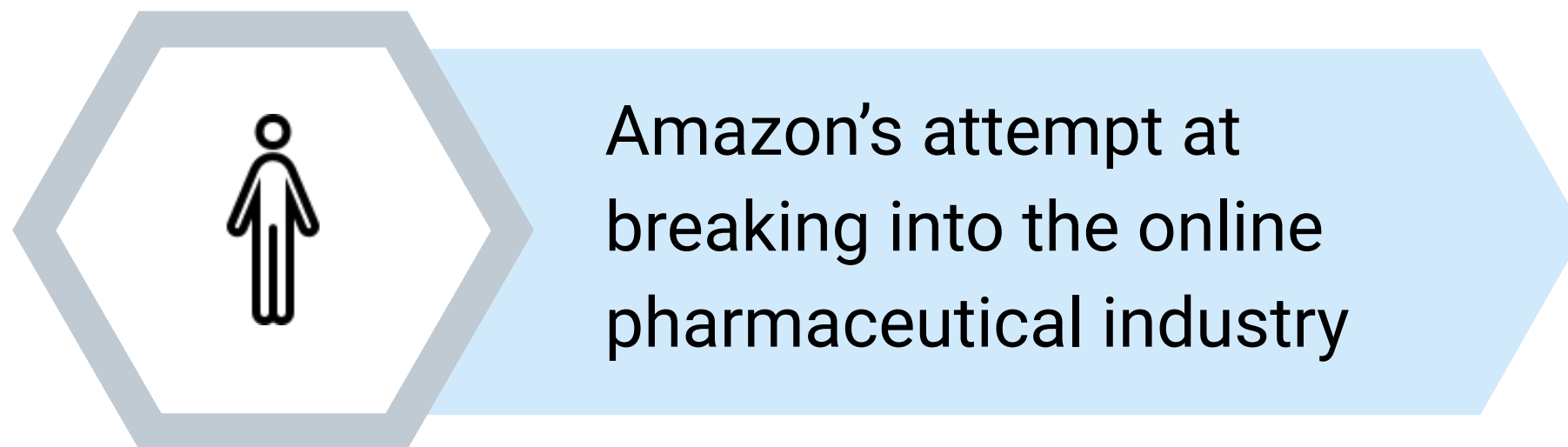
## Risks

- Hesitant response to Amazon as a prescription provider
- First to enter market limitations
- Other competitors in the market are trying to lower their insulin prices

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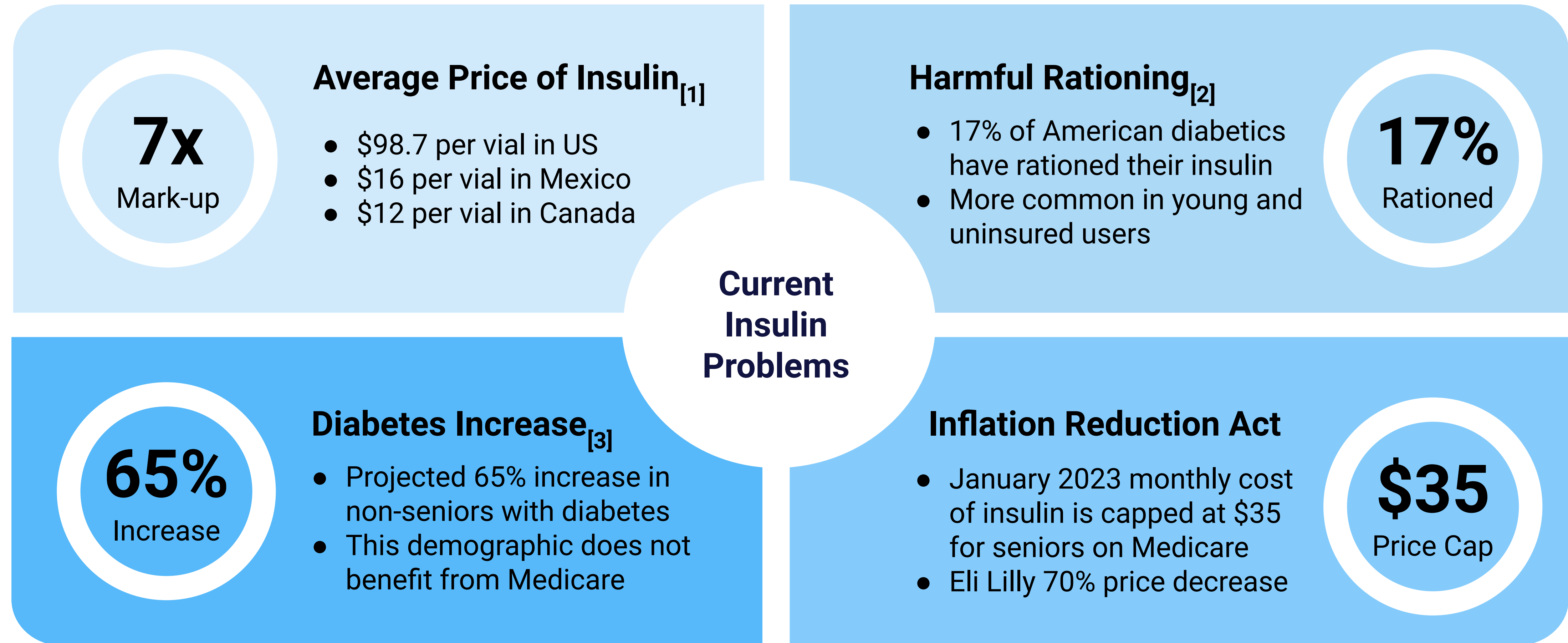
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# Breaking down RxPass reveals company goals of cost efficiency and dominating the online pharmaceutical experience



**Key Takeaway:** RxPass's recent launch offers a price-competitive subscription model that undercuts the market to aid their goal of dominating the general shopping experience and strengthening customer loyalty.

# Frustrated diabetics have faced decades of high insulin prices which have lead to dangerous solutions



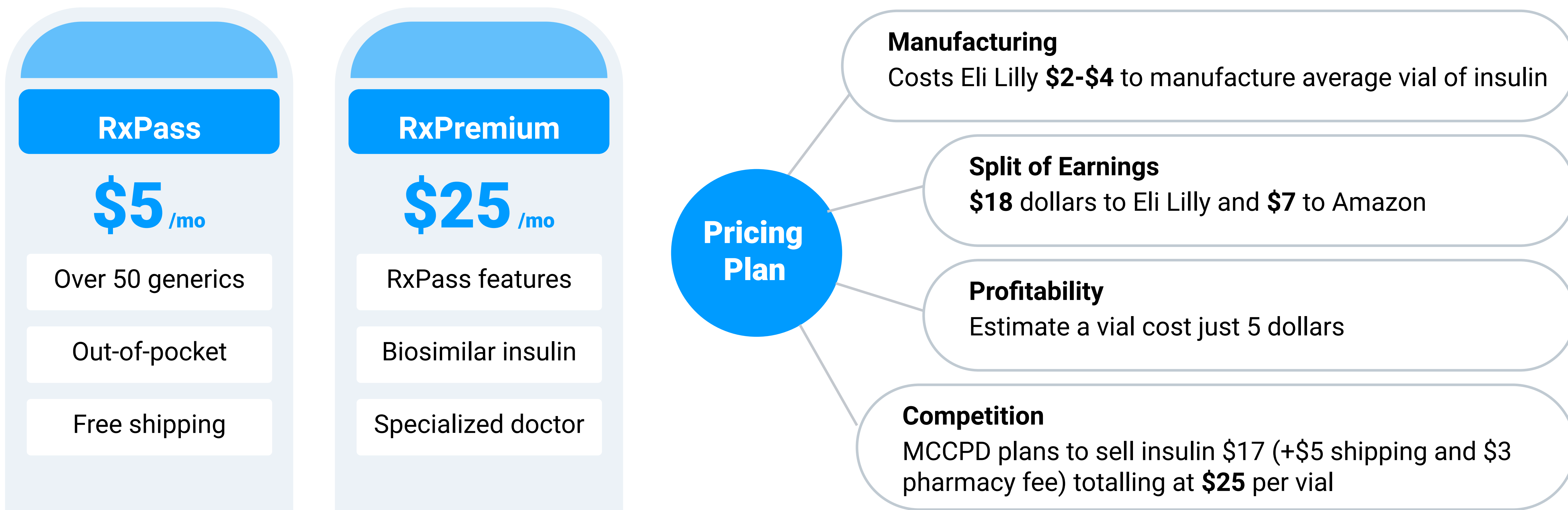
**Key Takeaway:** There is a long history of problems surrounding the price of insulin in America, and millions of diabetics are looking for a solution to make the drug more accessible.



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# RxPremium can provide an affordable insulin option by partnering with Lilly to create benefits for both companies



**Key Takeaway:** A \$25 monthly subscription fee to RxPremium which still includes all RxPass features is the most valuable insulin option on the market while providing profitability and exposure for Lilly and Amazon.

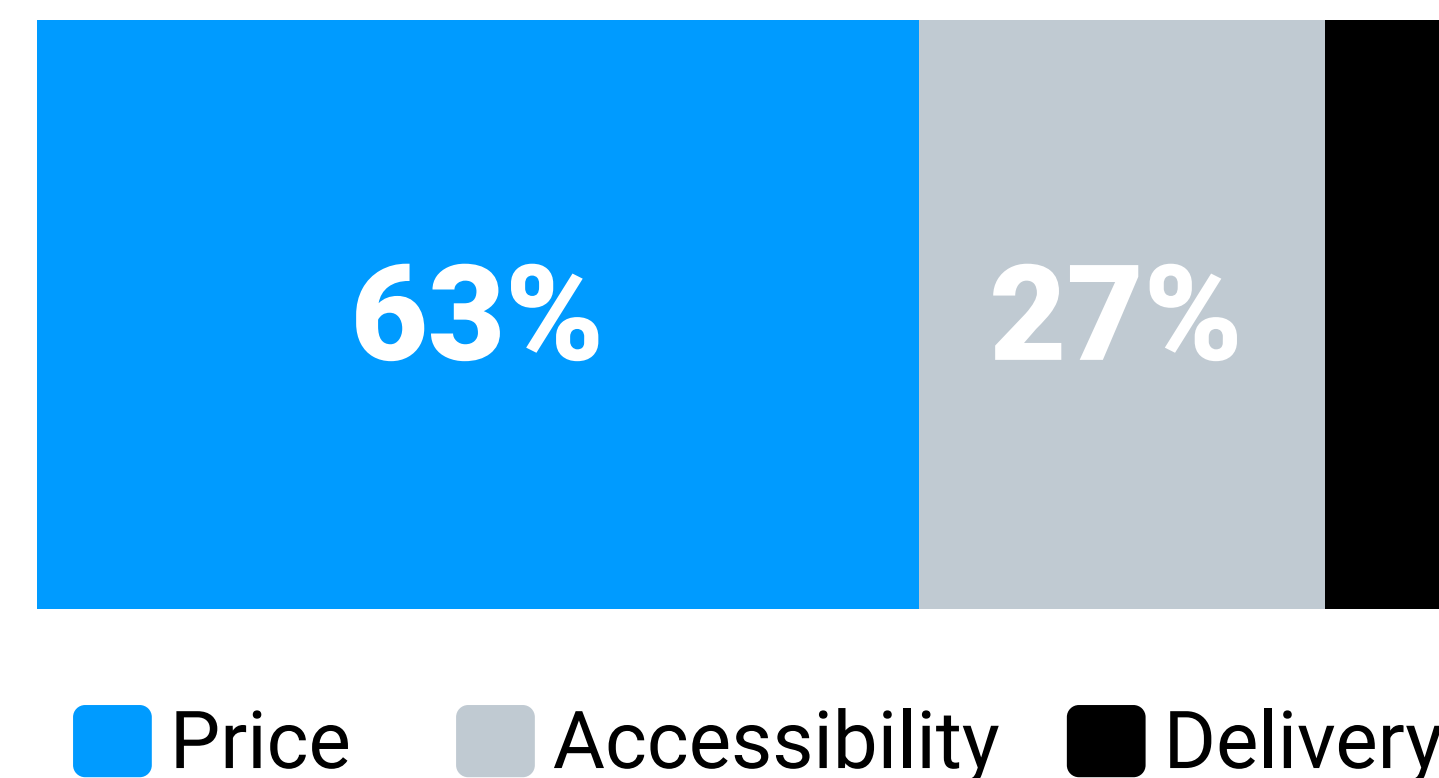
# Large accessible segment already exists within Amazon's consumer base whose voices were elevated in conducted survey



## Survey Findings and Applications

- 266 survey participants
- 93.6% Amazon Prime users
- 27 have diabetes or a family member with diabetes
- Majority Millennial and Gen X
- Most have health insurance - there are new opportunities for non insurance holders to have access to insulin so it is a less relevant statistic

**Q8:** Rank order the biggest challenges you or your family member faces when it comes to buying insulin



**Key Takeaway:** Survey responders who represent a sample of the general segmented population are interested in a solution that makes insulin more affordable. These responders are already loyal Amazon Prime users that could be converted to RxPremium.

# Amazon can attract new Prime customers with RxPremium insulin savings



## Yearly Cost Analysis

- Amazon Prime + RxPremium = **\$439/year**
- Lilly and other companies selling at \$35 a month = **\$420/year**
- **\$19** difference



## Amazon Prime Membership

- Leverage insulin savings, of \$120/year, to offset cost of Amazon Prime
- Benefits: Free shipping, Prime Video, music, deals, generic drugs through Amazon RxPass, etc



## Expanding Customer Base

- Affordable insulin program as an incentive for new customers to join Amazon
- Enhanced customer experience through healthcare and medication convenience

**Key Takeaway:** The RxPremium insulin savings will attract new customers to Amazon Prime by offsetting the cost of the membership, resulting in expansion of Amazon's customer base and contributing to a stronger healthcare experience.



# Partnership with Lilly generates multiple benefits for Amazon to help achieve their goals and capitalize on industry growth



## Holistic Grip on Market

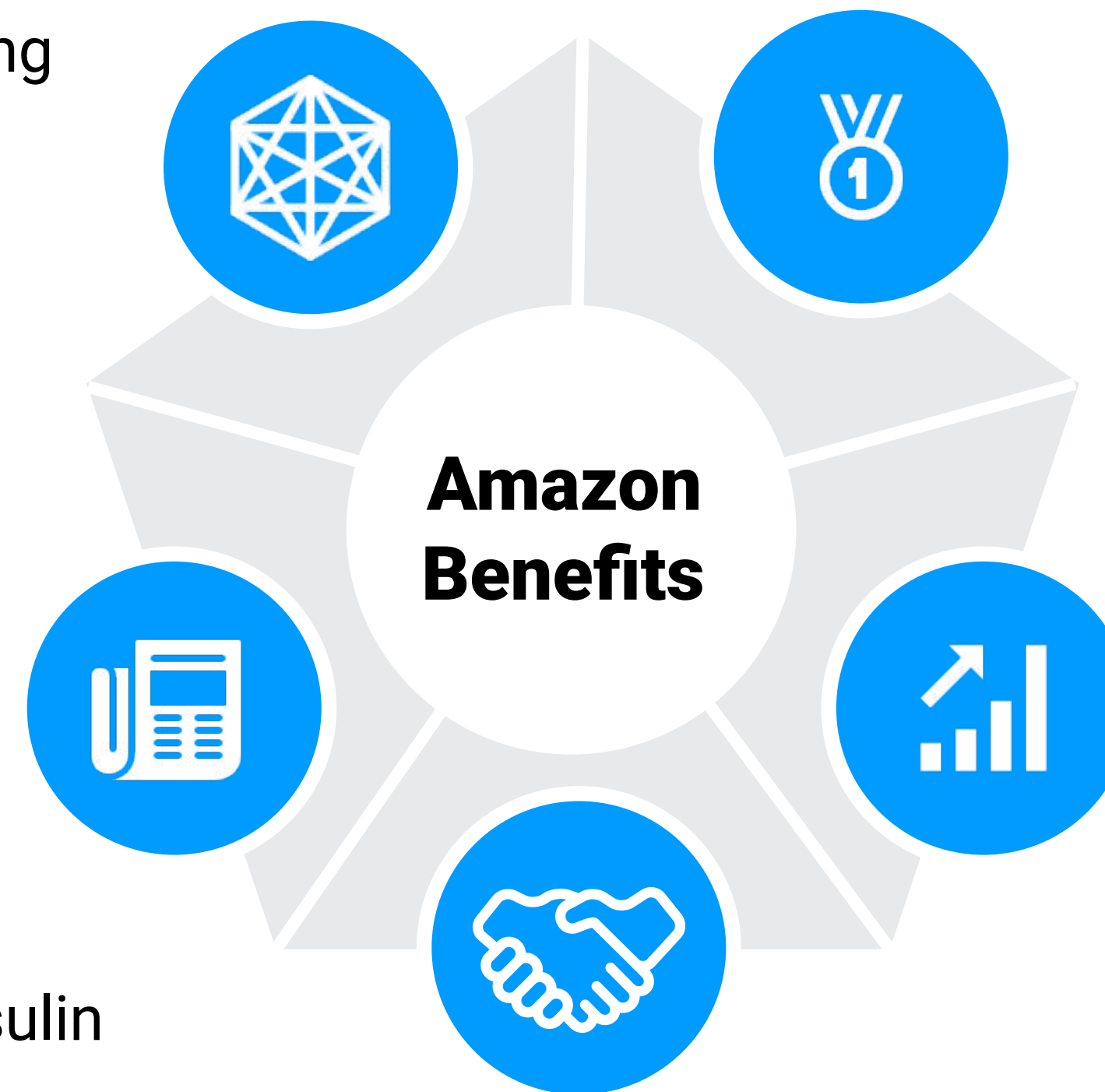
Works towards Amazon's goal of becoming a one-stop-shop and dominating the shopping experience

## Relevant CSV

Lilly and other competitors all cut costs within the past month. Amazon should jump in the market while the topic of insulin is such a prevalent conversation

## Increasing Trust

Consumers are wary of Amazon as an insulin provider and Lilly partnership will increase Amazon's trustworthiness as a distributor



## Beat Competition to Market

MCCPD is developing the infrastructure to sell insulin. Partnership allows Amazon to be first to market and outperform MCCPD with built-in customer base

## Monopolizing the Industry

The US online pharmacy market is growing rapidly with an estimated value of \$51.8 billion in 2020 and projected value of \$145.8 billion in 2026 (CAGR: 188%)

**Key Takeaway:** Through a partnership with Lilly, Amazon can further their grip on the growing online pharmaceutical market, beat MCCPD to the market, and stay in progressive in terms of current events.

# Lilly faced public scrutiny over high insulin prices leading to progressive price cutting action



1

## Gradual Price Increase<sup>[1]</sup>

Eli Lilly quietly increased the price of their insulin over 700% over 20 years causing public outrage

2

## Interviewee Reaction

“The pharmaceutical companies are criminal enterprises that are making profit off of ill people and it makes me sick”

3

## Lilly's Market Disruption

Introduced insulin lispro in 2019, a lower-cost version of best seller Humalog as a first attempt to fix negative perception

4

## Government and Competitors

Inflation Reduction Act and other pharmacies (like MCCPD) attempting to sell cheaper insulin

5

## Lilly's \$35 Price Cap<sup>[2]</sup>

As of March 1st, Lilly introduced \$35 cap (70% price cut) on their insulin regardless of insurance; they want to regain public favor



Banner on website home page

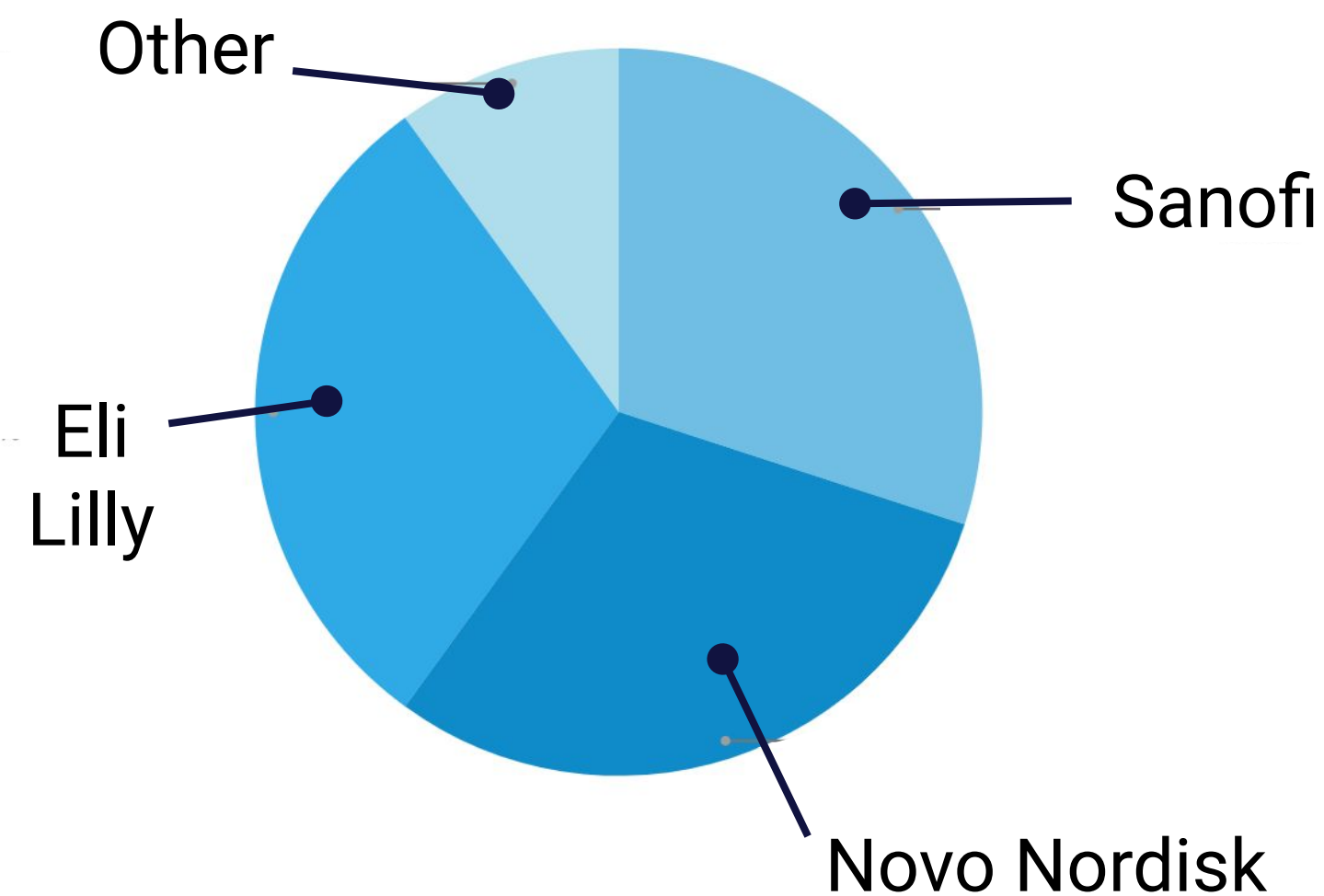
**Key Takeaway:** Lilly wants to appeal to the public and is prioritizing customer centric pricing and marketing to make up for historic grievances. However, as expressed by interviewee, the public isn't quick to forgive and forget and have accused Lilly of greenwashing.



# Amazon RxPremium Partnership provides Lilly with further steps to maintain a competitive advantage



## Three Major Insulin Manufacturers



Three manufacturers make up 90% of US insulin market

## Competition

- Lilly announced price cut at beginning of March
- Sanofi announced similar price cut two weeks
- Novo Nordisk announced price cut right after
- **Only 3 in 10 Americans use Lilly Insulin**

## Differentiation and Benefits to Partnership

- Exposure to loyal Prime market of approx. 3.5 million insulin using diabetics
- Gain exposure from Amazon brand name and marketing
- Benefit from Prime's efficient distribution (same-day delivery to doorstep)
- Align with Amazon's customer-centric values that prioritize hassle-free experiences and low cost options
- **Exclusive rights to be the only Insulin provider on RxPremium**

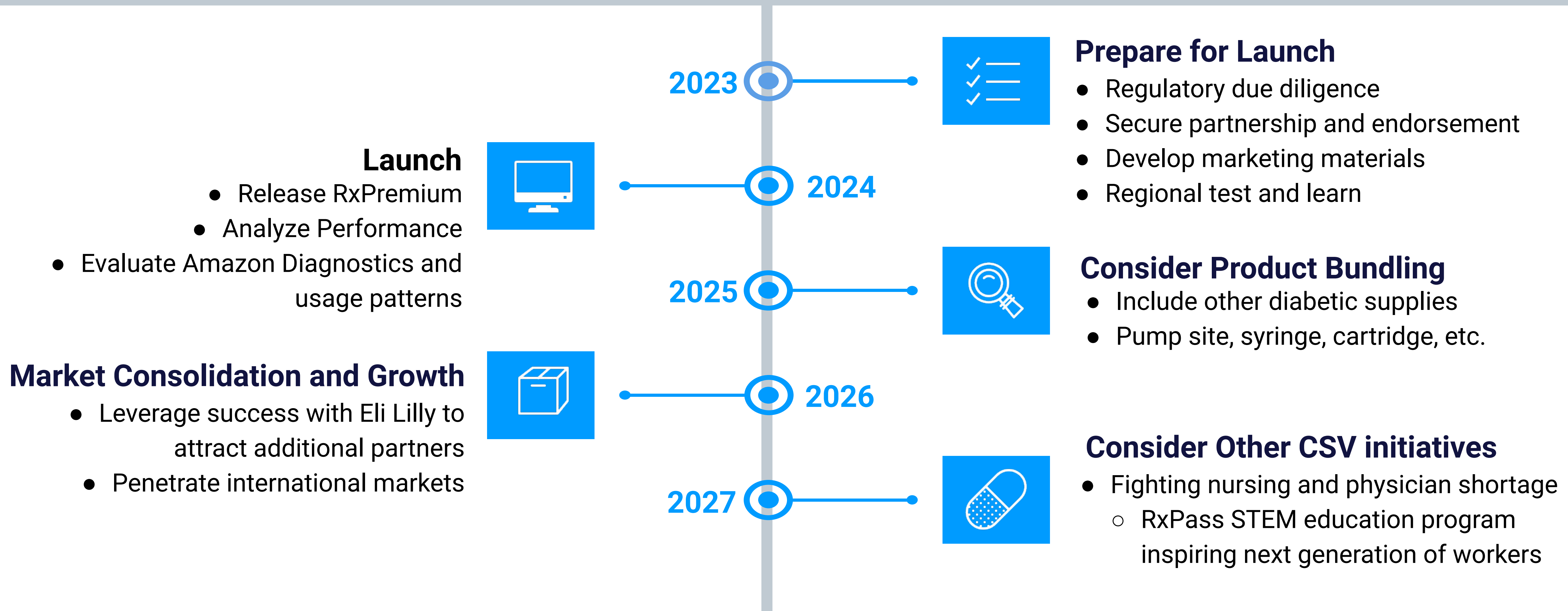
**Key Takeaway:** Cuts across the insulin industry are favorable for diabetic consumers, but partnering with Amazon can help Lilly maintain their competitive advantage through market exposure and established distribution systems.

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# Implementation Plan takes RxPremium through the launch process and expansion to capitalize on deeper market penetration



**Key Takeaway:** Using market research, product development, and targeted marketing, this plan aims to establish Amazon RxPass as a convenient provider for customers' healthcare needs, both nationally and globally.

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# Possible disadvantages of being first-movers can be mitigated through closer monitoring

## Risks: First-mover advantages are often short-lived

- First-mover benefits: Long-term improvement in a firm's market share, more experience in technological advancement
- First-mover concerns: Success could potentially be very brief - usually only applicable to companies with less resources and skills

## Mitigation: Stick to the 5-year plan's gradual evolution

- Closely monitor the performance of RxPremium in order to maintain the best conditions to secure a dominant position in the industry
- If the market is stagnant (unlikely): Amazon will withstand with their deep financial pockets
  - Amazon has the right resources at an excellent time to capitalize on insulin being a hot topic in the current years
- If the market leads: Continuation of Large-scale marketing, production, and distribution

## Lilly on Amazon's Side

- Amazon has the advantage of entering oligopic market with one of the major members on it's side
- Inherent advantage over MCCPD who is entering the market alone

**Key Takeaway:** Although being the first to penetrate the online pharmaceutical insulin market will reap major market share benefits for Amazon, we must be closely monitor RxPass Premium and the whole market's performance in order to maintain long-term benefits



# Survey responses indicated concern with Amazon as an insulin provider which can be mitigated by a respected endorsement



## Risk: Distrust in Amazon as Insulin Provider

Open-ended survey question about the idea of RxPremium triggered some concerned responses:  
“I would not trust Amazon with my prescription medication”  
“I would stick with my doctor who I know”

## Mitigation

Get natural endorsements from professionals offering their comments on their own

## Possible Endocrinologist Endorsements



**Joshua Joseph**  
Fought for  
Inflation  
Reduction Act



**Anne Peters**  
Clinical Medicine  
Professor



**George Grunberger**  
Head of  
Grunberger  
Diabetes Institute



**Phillip Gorden**  
NIDDK  
Director

## Additional Risks and Mitigations

**Competitors  
respond with  
similar services**



Options to maintain  
competitive  
advantage in 5 Year  
Plan

**Regulatory  
challenges**



Leverage Amazon's network of  
researchers and lawyers for  
compliance

**Key Takeaway:** By using natural or paid endorsements, Amazon RxPass Premium will appeal more trustworthy to Prime consumers with a honest face of the company



## Resulting conclusion: A win for Amazon that also benefits contingent parties

**Amazon RxPass taps into new markets to expand grip on profitable and growing online pharmaceutical industry**

Helps Lilly mitigate greenwashing accusations while differentiating from competitors and accessing loyal Prime customers

Frustrated diabetic Prime users gain an easily accessible and cost efficient way of getting reliable insulin

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# Q&A

# Backup Slides

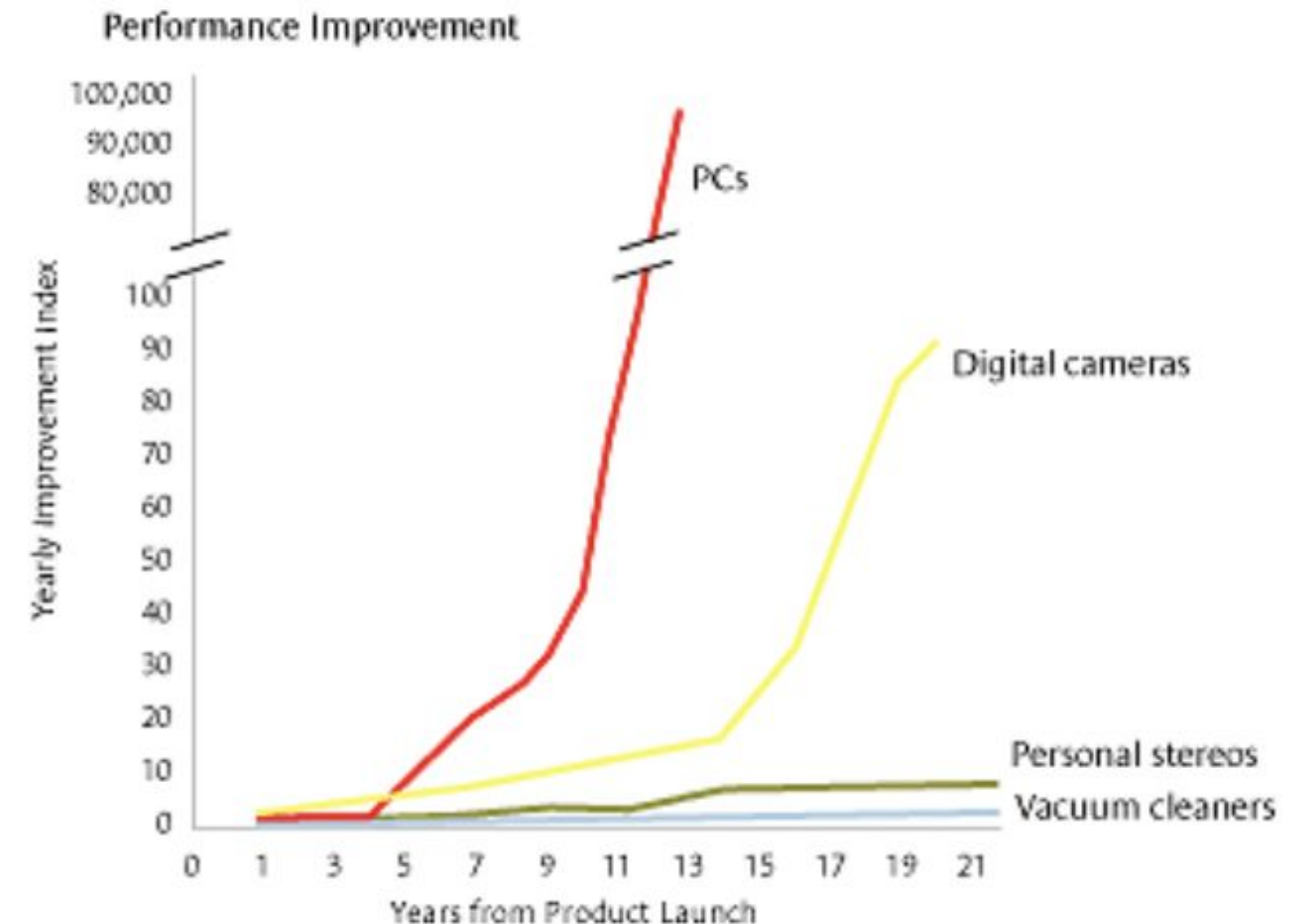


# Why entering the market first is a good thing as a big company like Amazon



As long as Amazon continues to monitor RxPass Premium effectively...

- **By penetrating the market first, Amazon can refine their performance and possibly capture more market share**
- By being first-movers, we can monopolize the often exponentially increasing performance of a new market



# Regulations: Who regulates insulin?

## **The Federal Food, Drug, and Cosmetic Act (FD&C Act) and the Public Service Act (PHS Act)**

- allows the Food and Drug Administration (FDA) to approve drug/biological medications in the USA

## **Biologics Prices Competition and Innovation Act of 2009 (BPCI)**

- abbreviated licensure pathways for biological products that are biosimilar with FDA approved biological products
- increased access to medication and lower health care costs through higher competition

## **March 23, 2020: The FDA approves insulin to be regulated as a biological product**

- until 2020, there has been limited competition in the insulin market, resulting in fewer choices and higher prices for patients
- This transition will open new pathways for manufacturers to bring new insulin, biosimilars, and other transitioning products to market, facilitating greater competition in the marketplace
- increased competition is expected to bring down prices and help patients have access to more choices for these life-saving drugs
- Current good manufacturing practice (CGMP) regulates the minimum quality standards of manufacturing biological products and medication

# Regulations: Who regulates insulin?

## The FDA does not regulate pricing on drugs

“The FDA does not regulate drug pricing or reimbursement. When biosimilar and interchangeable insulins or other biological products are eventually approved, a variety of new treatment options will be available, which may make pricing more competitive.”  
(FDA)

## Price-Cap at \$35

- Price-cap regulations set an upper limit on the price that a utility provider can charge
- Price-cap regulations **force utilities to become more efficient** in their operations
  - Unnecessary due to existing cheap cost of manufacturing insulin
- Regulations **creates a risk of erosion of quality and service** from utility companies
  - Maintain Lilly manufacturing procedures
  - Maintain Amazon’s high quality service
  - Together can create safe and efficient experience

## Regulations on Endorsements

- Government employees cannot endorse products
- “An employee shall not use his public office for his own private gain, for the endorsement of any product, service or enterprise, or for the private gain of.” (GPO)
- “Whenever an advertisement represents... that the endorser is an expert with respect to the endorsement message” (FTC)

# Profitability - Financial breakdown



## **Average Industry Cost of Insulin**

- 2-4 dollars to produce a vial
- With 3 Vials a partner would make around 9 dollars if we average the costs to 3 dollars per vial
- a 100% profit on each sale

## **Amazon's Costs and Profit**

- Marketing is an upfront cost and can vary considerably depending on how much Amazon invests
- A small package which is what insulin would classify as would cost 2 dollars in shipping
- One vial going out per month amazon would make each month through an RX premium pass would generate around 5 dollars per profit under the current cost split or a 250% profit on insulin alone
- Amazon's current profit margin is 1.42% so significantly higher



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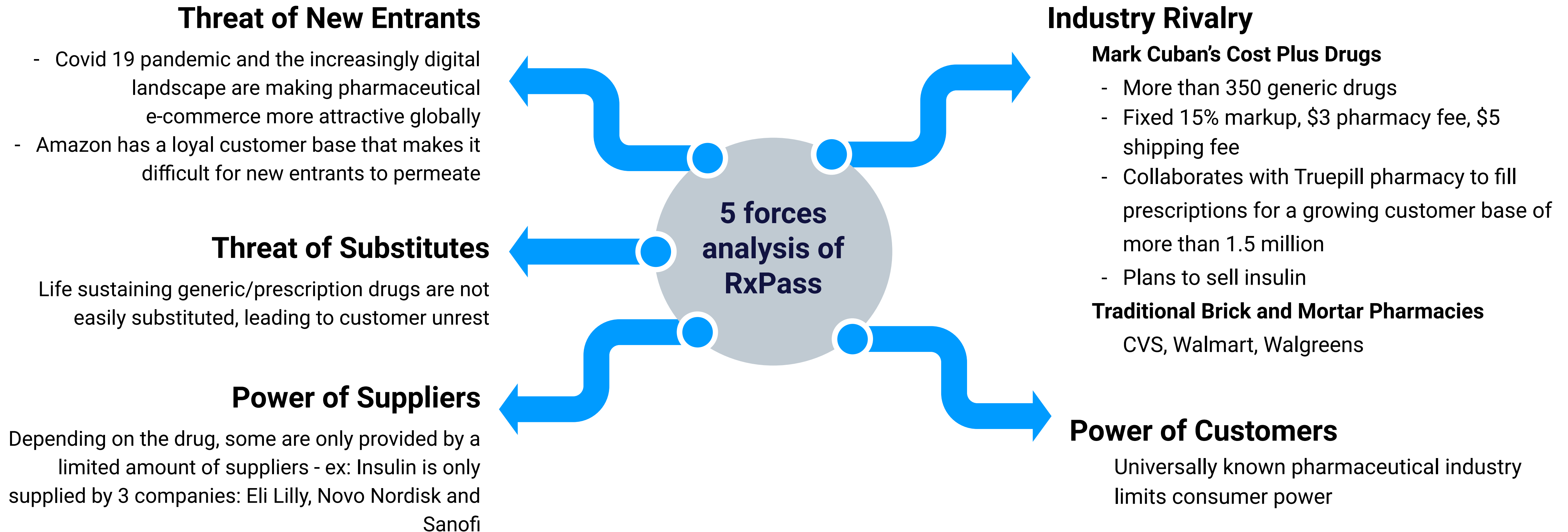
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Sources: Research and Markets, <https://www.researchandmarkets.com/reports/5336110/u-s-online-pharmacy-market-industry-outlook-and>

# 5 forces framework shows RxPass's heavy competition and possible vulnerability in the pharmaceutical industry



**Key Takeaway:** RxPass faces heavy competition in a growing industry with threat of new entrants, but the power of suppliers offers opportunities for new partnerships.