

From: Janice Packwood [mailto:j[REDACTED]]
Sent: Monday, June 25, 2012 3:27 PM
To: Reid, John
Subject: Agency Model Pricing for E-books

Dear Mr. Reid

I would like to share my objections to the Department of Justice lawsuit against Apple, Penguin, Hachette, Simon & Schuster, Harper Collins, and Macmillan regarding the sale of ebooks.

We have just celebrated 25 years selling books and have witnessed many changes in the publishing industry. One thing that is consistent, though, is how books are priced and sold through publishers which is unlike most retail.

Early in my career as a book seller, the popular price for best seller mass market fiction was \$4.95. Then one publisher raised their price to \$4.99; and shortly after, all the other publishers did the same. Over time, the price for these same books has increased to \$5.99, \$6.99, \$7.99 and then the addition of a "premium" edition came on the scene at the price of \$9.99. All the publishers of mass market books followed suit. This is not collusion, just a standard for the same product.

Purchasing wholesale books is also different. In the standard retail world, products are purchased for about half the suggested manufacturer retail price, but what you purchase, you own. There are no returns (The exception is to exchange product that is not selling for other product. This can also include a restock fee plus shipping both ways). When purchasing books, the minimum discount is 35-40% and can go up to +50% depending on quantity being purchased. After 3 months, books which have not sold can be returned for credit. Mass market books are not returned in tact. Instead the front covers are removed for return and the body of the book is destroyed. That's how it works for most large publishers. This is not collusion.

The independent book store has weathered some serious retailing challenges in the past. The wholesale clubs came along selling the best sellers for the same price we pay. Stores like Wal-Mart and Target offer deep discounts on their books. The big box stores like Borders and Barnes & Noble came on the scene offering huge stores and coffee shops.

Then came online retail giant Amazon.com, who in the beginning, investors laughed at because they were selling books below cost, operating at a loss. However, they had a long range plan and as it's fully revealed, Amazon may become the only publisher and retailer of books in any format whether it is ebook, print, or audio. That may sound preposterous, BUT look how they have taken over the book selling industry because they offer huge discounts and don't collect sales tax. They are the number one retailer of books. Not only that, they took the ebook to a monopoly level by selling their proprietary reader and proprietary ebook format together.

The only place you can purchase Amazon's Kindle e-books is from Amazon. They now own Audible Books and have their own publishing company which they promote directly to authors, eliminating agents and proof readers.

What kind of kind of competition is that? They are selling a digital download at their price which just so happens to be less than other ebooks and print books. Amazon has made a habit of selling books at below cost in order to gain market share and eliminate competition. Since an ebook does not cost the retailer anything until it is purchased, there is no reason that publishers should not be allowed to set a minimum price for their product.

People don't buy one publisher's book over the other's because of price. They buy it because it's written by an author they like, or the content. They will shop for the best price for the book and if one large online retailer is allowed to price books below cost to control market share, you should be investigating them, not the publishers.

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