

Subject: Publishers Lunch Deluxe (with an update from Macmillan)
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Publishers Lunch Deluxe



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Thursday, February 4, 2010

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To: Macmillan Authors and Illustrators

cc: Literary Agents
 From: John Sargent

I am sorry I have been silent since Saturday. We have been in constant discussions with Amazon since then. Things have moved far enough that hopefully this is the last time I will be writing to you on this subject.

Over the last few years we have been deeply concerned about the pricing of electronic books. That pricing, combined with the traditional business model we were using, was creating a market that we believe was fundamentally unbalanced. In the last three weeks, from a standing start we have moved to a new business model. We will make less money on the sale of e books, but we will have a stable and rational market. To repeat myself from last Sunday's letter, we will now have a business model that will ensure our intellectual property will be available digitally through many channels, at a price that is both fair to the consumer and that allows those who create and publish it to be fairly compensated.

We have also started discussions with all our other partners in the digital book world. While there is still lots of work to be done, they have all agreed to move to the agency model.

And now on to royalties. Three or four weeks ago, we began discussions with the Author's Guild on their concerns about our new royalty terms. We indicated then that we would be flexible and that we were prepared to move to a higher rate for digital books. In ongoing discussions with our major agents at the beginning of this week, we began informing them of our new terms. The change to an agency model will bring about yet another round of discussion on royalties, and we look forward to solving this next step in the puzzle with you.

A word about Amazon. This has been a very difficult time. Many of you are wondering what has taken so long for Amazon and Macmillan to reach a conclusion. I want to assure you that Amazon has been working very, very hard and always in good faith to find a way forward with us. Though we do not always agree, I remain full of admiration and respect for them. Both of us look forward to being back in business as usual.

And a salute to the bricks and mortar retailers who sell your books in their stores and on their related websites. Their support for you, and us, has been remarkable over the last week. From large chains to small independents, they committed to working harder than ever to help your books find your readers.

Lastly, my deepest thanks to you, our authors and illustrators. Macmillan and Amazon as corporations had our differences that needed to be resolved. You are the ones whose books lost their buy buttons. And yet you have continued to be terrifically supportive of us and of what we are trying to accomplish. It is a great joy to be your publisher.

I cannot tell you when we will resume business as usual with Amazon, and needless to say I can promise nothing on the buy buttons. You can tell by the tone of this letter though that I feel the time is getting near to hand.

All best,
John

Deal News

Among yesterday's 30 new deals: Kieran Shields' debut thriller with a twist on the Salem witch stories, *THE TRUTH OF ALL THINGS*, to Crown; Stephen Kelman's debut *PIGEON ENGLISH* goes to HMH; Adam Galinsky and Maurice Schweitzer's *COMPETING TO COOPERATE*, to Crown; Edna O'Brien's memoir and story collection, to Little, Brown; and plenty more.

[New deals page](#)

And you can analyze dealmakers through over 180 lists at our new/expanded top dealmakers tool.

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Deal Reports

Just e-mail to deals@PublishersMarketplace.com if you aren't using the online form linked below.

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Today's Meal

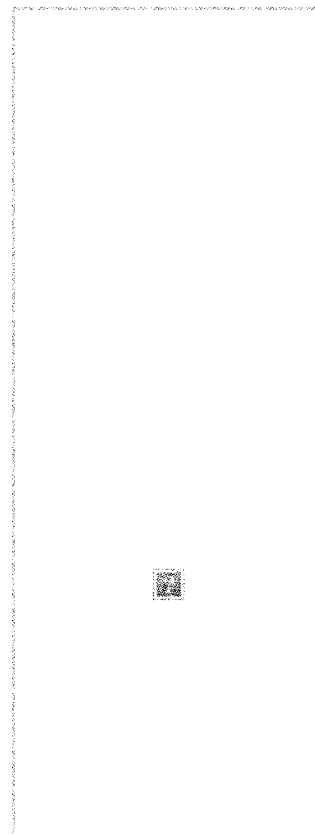
Publishing Execs Talk to Booksellers About the Agency Model and More

It's a safe bet that when David Young of Hachette, Madeline McIntosh of Random House and Drake McFeely of Norton first agreed to discuss the impact of digitization at the ABA's Winter Institute in San Jose they had no idea of the hot-button issues the timing would bring. For the most part the questions (and/or responses) yesterday skirted the issues rather than plunging in, but it was the first chance to hear publicly from Random House, which so far has said more by not making a deal with Apple than anything else.

Young made it clear that at Hachette they "had been considering the agency model as a board since last summer." He admitted that he had "arrived at the conclusion to announce an overall windowing policy [to delay the ebook release of certain big books] with enormous reluctance, but that was the only means we could figure out as a company where we could have some control over pricing. I saw only a bleak future at \$9.99." But Young said he's now "hoping that the agency model will result in us not having to go down that path for very long, because the it enables us to create partnerships with people. They become service providers; we set the prices, the margins are understood within that and it seems to be a much more level playing field." As he underscored to the booksellers, "One in which you all can play just as easily as Wal-mart."

McFeely confirmed that smaller publishers had been on the far margins up the exploration of this new model up until recently, but expressed enthusiasm. "I was very happy last week with the Apple iPad

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announcement and the idea of the agency plan. One of the things we publishers are going to be happy to have is a little more control over the pricing."

But McIntosh took on pricing control and decisions directly as one of the reasons Random House has "not acted quite as quickly as others." She expressed a series of concerns that publishers "have no real experience at setting retail prices." McIntosh cited a recent visit to Powell's, where with used books and new books sitting on the same shelves "they set the prices on every single unit in a unique, demand-based way." And she admitted that "we in New York are very disconnected from the price at which our goods are sold in this country, and that can be different in Miami and Kansas City and Portland."

But more importantly from her perspective, she articulated a concern that the lower revenues of an agency model could make it hard for both publishers and authors to sustain a broad list that includes many books with lower commercial expectations. Up until now, McIntosh said, "our authors have not been at risk if you make a different decision about how to price a given book, so it didn't actually affect our author if a given retailer decided to aggressively discount a certain segment of books. The benefit...is that we have been able to sustain a great variety of different authors at different levels."

On the windowing of releases, McIntosh expressed a personal opinion and noted "there are a lot of divergent opinions at Random House," but she is "not convinced that delaying an ebook will be to the benefit of either the author or the consumer." She prefers not to lose a potential sale because an ebook version is not available and also does not want to "create an adversarial relationship" with ebook readers or "train those readers that instead the best way to get that digital copy is to download it for free."

Instead of through changed pricing models, McIntosh argued that "the best value we can offer in the digital world will be about embracing what we already know how to do well.... Our best asset is our editors." She spoke about "allowing digital to force us to reinvent ourselves as editors" as Random looks at ways "to contract and deliver content that is a whole range of different lengths, and bring ideas to market in a much faster way than we can when its print." (They considered a quick ebook on Haiti with a very well-known author.) For the future, she is less excited about "just creating a digital version of a book or adding bells and whistles" but wonders instead "do we need to push ourselves into an area we really don't know anything about, which is thinking about developing applications." She sees the process as taking a brand and conceiving of "what would be compelling to a consumer...that would make us still relevant as a content producer" in a new way, admitting that they don't have the answers yet--just the question.

Everyone was happy to say as little as possible about Amazon in particular and the events of the last week, though McFeely noted, "I hope it was sobering to a lot of folks who watch the book retailing industry...about the power that amazon has.... You got to see very quickly what happens when retail is concentrated."

For all the discussion of ebooks, each panelist underscored the continuing predominance of print books. McFeely talked about how they focus on "making those books look great" so that the objects have a value and permanence that mere digits can't replicate. McIntosh advised, "I would hate to see the great minds in this room, who do such a great job knowing which of our books are right for your customers, worried about a digital future in a way that then takes your focus away from what's actually going on in your store." Young added that Hachette has been asking their authors "to talk about the value of bookstores whenever they can." He sees authors as "our biggest asset in promoting our industry as a whole" and explaining to readers the value that publishers and bookstores bring.

The question part of the program opened a different kind of window, to a burst of a few Tea Party-style questions (apparently not atypical for an ABA meeting.) Among the interesting answers in terms of what publishers are doing for independent stores: Young reaffirmed their commitment to "continue to have our excellent field sales team calling on you." And McIntosh noted that while it may be "counterintuitive to invest in physical infrastructure when conventional wisdom would say the world has gone digital," Random House continues to work on its supply chain: "I don't think you should have to invest any more in inventory than you should absolutely have to."

Gottlieb Says Agents Have Not Been Sufficiently Consulted on New Model, and More

If you click through to the PM page for the piece above, comments from agent Robert Gottlieb at Trident Media Group have already gotten coverage over at Marion Maneker's Goodbye, Guttenberg Slate column. He writes in part: "Windowing remains a strong option and a tool in managing of the book business and publishers should not simply brush it aside because they have for now come up with a fix called the Agency Model. We as agents will have to take the lead if publishers refuse to act in a sensible manner. Consulting the agenting community has not taken place by the large publishing concerns and this I believe is a error on their part."

[Link](#)

Macmillan Speaks--In NYT Ad

In a full-page ad in the art section of today's New York Times, Henry Holt's Metropolitan imprint celebrates the sales success of Atul Gawande's THE CHECKLIST MANIFESTO. A bold tagline offers an of-the-moment twist on the standard declaration: "Available at booksellers everywhere except Amazon."

People and Announcements

House of Anansi Press publisher since 2005 **Lynn Henry** is moving to Doubleday Canada as publishing director, starting March 1. She will acquire her own list, and senior editors Amy Black, Nina Pronovost and Tim Rostron will report to her.

At Random House, under editorial director Jennifer Hershey, **Jessica Waters, Courtney Moran, Courtney Turco** and **Clare Swanson** to have all been promoted and are now assistant editors.

Kathleen Tucker will retire as editor-in-chief at Albert Whitman & Company on April 30. A search for a replacement is underway.

UK consumer research organization **Book Marketing** (BML) has been bought by **Bowker**, "part of an ongoing program of licensing and divestment by [parent] Publishing News" following the death of Fred Newman. Next PN is looking to license the British Book Awards (aka the Nibbies). Bowker will integrate the unit into Bowker Publisher Services. Jo Henry and colleagues Steve Bohme and Rachel Levin will stay with the organization and move to Bowker's UK office next week.

In other announcements, **Baker & Taylor's** POD operation TextStream Digital Print Service has picked up a volume client. They will print and fulfill orders for **PublishAmerica**, which claims to have 40,000 titles, and offer those titles to their library and retail customers.

[Release](#)

Automated News

As usual, the Publishers Lunch Automat is full of links (and condensations) of many other stories of interest from all over, including:

- [Ottawa's Prime Crime Mystery Bookstore to Close](#)
- [Technical But Good Piece: Why Burkle's Letter Has Delaware Court In Mind](#)
- [USA Today on Amazon's No Advance Encore](#)
- [More Underwate Publishers Lunch Automat](#)

More New Jobs

We added another 3 new jobs just yesterday at our industry-leading Job Board, the latest among 59 opportunities in all still live from the past month.

For employers, we provide the unbeatable combination of the largest circulation in the business by far, a total focus on book publishing only, and the best prices anywhere.

And for job-seekers, we present great new possibilities every day and conveniences like an RSS ping to keep you posted on every new offering. Among the latest:

Director of Consumer Marketing [Full Time]
Dover Publications (Mineola or N Chelmsford MA, NY)

Information Analyst [Full Time]
National Geographic (Washington, DC)

Hiring Freelance Writers [Freelance]
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