Subject: iTunes
Date: Mon, 04 Jan 2010 09:16:58 -0800
From: "Eddy Cue" <cue@apple.com>
To: "Markus Dohle" <mdohle@randomhouse.com>
Message-ID: <F307063E-161B-4CD8-B27B-A0FA04F34196@apple.com>

Hi Markus,

I hope you had a great holiday in Germany!

As we discussed, here is what I think is the best approach for ebooks.

Just like the App Store, we are proposing a principal-agency model with you, where you would be the principal and iTunes would sell your product as your agent for your account. In exchange for acting as your agent iTunes would get a 30% commission for each transaction.

On pricing, you would be free to determine whether to distribute any particular publication through iTunes (of course if another ebook distributor was able to sell a book then we would as well); and you would be free to establish the price that eBook would be sold. So that we could efficiently manage our agency role, we propose a corresponding range of prices for books at various stages in a book's publication and distribution evolution.

Our goal would be to have any hardback book that retails physically for less than $35 to sell for in any of the following tiers, determined by you -
$12.99, $9.99, $8.99, $7.99, $6.99. $5.99, $4.99, $3.99, $2.99, $1.99, $0.99
Any trade or mass-markey book would sell for any of the following tiers, determined by you -
$9.99, $8.99, $7.99, $6.99. $5.99, $4.99, $3.99, $2.99, $1.99, $0.99
For any book that retails for above $35, it would sell for any of the following tiers, determined by you -
$14.99 and increments of $5 above that (realistic pricing would be less than 50% retail)

There are several things we have to accomplish in order to sell ebooks at realistic prices -
• books need to be cheaper to buy than physical
• you should make less per book since significant costs have been eliminated but still have a healthy, profitable sale
• all resellers of new titles need to be in agency model

We think these agency terms accomplishes all the goals we both have. I will try to schedule a call for us for tomorrow to catch up and determine the next steps.

--- Eddy

------ end message ------