

Subject: Re: iTunes
Date: Mon, 04 Jan 2010 09:18:37 -0800
From: Eddy Cue <cue@apple.com>
To: "Sargent, John" <john.sargent@macmillan.com>
Message-ID: <0E2894F6-9145-4A0C-8DFF-B8DF1B8E6B27@apple.com>

Hi John,

I hope you had a great holiday!

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

On Dec 21, 2009, at 3:50 PM, Sargent, John wrote:

Hey Eddy. Have been thinking. Consider this completely blue sky, just a bit of brainstorming.

One of the problems we face is that most companies have contracts under the discount model. So what happens if we actually have two terms of sale. 1) 30% agency model with no windowing. 2) Discount model that includes windowing (essentially no change from the current terms we offer)? Everyone decides which model to buy under.



Price points: The concept would be that we would price books at around half of the price of the hardcover. That would put the majority of new releases at the 14.95 or 12.95 price points.

New release hardcover: 19.95, 16.95, 14.95, 12.95, (higher prices for very expensive books).

Post release, or original paperback: 9.95, 7.95, 4.95, 2.95

Want to reinforce these are just some thoughts to kick around.

More later.

John

PS. Am back in the city so will be at work through midday Thursday. Hope snowy NYC was great!

-----Original Message-----

From: Eddy Cue [mailto:cue@apple.com]
Sent: Mon 12/21/2009 10:47 AM
To: Sargent, John
Subject: Re: iTunes

Hi John,

I thought it might be hard. Please call me on my cell  instead this morning if you can.

Eddy

On Dec 21, 2009, at 7:40 AM, Sargent, John wrote:

Am out in Bridgehampton. Six hours of shovelling and I got the car to the road. Another quarter mile of shovelling today to get to the main road which is plowed. Two feet of snow and 50 mile and hour winds here. So I hope to be in late this afternoon. Tomorrow if not. Sorry! Will e mail you later today...

-----Original Message-----

From: Eddy Cue [mailto:cue@apple.com]
Sent: Mon 12/21/2009 1:06 AM
To: Sargent, John
Subject: Re: iTunes

I will give you a call in the morning.

Eddy

On Dec 19, 2009, at 1:16 AM, Sargent, John wrote:

Am in Stuttgart. I'll be in the office both days and most meetings I have can be moved. I am usually in the office by 6:30 latest, So ping me or call Monday Am... 

----- Original Message -----

From: Eddy Cue <cue@apple.com>
To: Sargent, John



Sent: Fri Dec 18 22:43:47 2009
Subject: iTunes

Hi John,

I am back in NY for a vacation. Do you have anytime on Mon or Tue to get together? I want to update you all my findings and thoughts. I have some things I want to run by you. I only need 30 minutes.

Eddy

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

