

Harper ~~CONFIDENTIAL~~ Agents Catch-Up

Tuesday 16 February 2010

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HarperCollins

Last time we got together, at the end of January 2009, we were talking about the digital revolution throwing up enormous opportunities to all of us in this room – but also some threats – one of the key roles of the 21st century publisher is to help authors and agents take advantage of those opportunities and guard against the threats.

Now it's been over a year and these opportunities and threats are even more pressing. In light of all the recent announcements and news (Apple's iPad announcement and resulting ebook pricing firestorm, Amazon/MacMillan etc), we thought it would be a great time to get together to talk through the recent developments and changes to the market, let you know our thoughts on them and also give you some insight about what we, HarperCollins, are doing to ensure we take advantage of the massive opportunities these new developments offer.

We don't pretend to have all the answers, no one has, but it's important to share our thinking with you.

Presentation should take about 30-40 and then there will be time for questions after. The four main points we're going to cover are....

- The Big Three – how the market place has changed dramatically in the last year with the emergence of 3 big players dominating the market
- Other Channels – what other channels are there and what we are doing with them
- New Product Development – what products have we/are we developing for our content
- Added value – in addition to the deals with the major player, and development of new channels and products what else is HC doing to add

We're investing in:

We do

Authors get

Digital infrastructure



Protect intellectual property

Digital workflow



Fast speed to market & flexibility

Digital distribution/
content partnerships



Larger and more effective
market reach

Digital marketing



Direct consumer contact

New digital
products



New revenue streams
and wider distribution

Global digital reach



Worldwide scale of our platform

Direct selling



Differentiated products

Harper



We're investing in:

We do		Authors get
Digital infrastructure	➡	Protect intellectual property
Digital workflow	➡	Fast speed to market & flexibility
Digital distribution/ content partnerships	➡	Larger and more effective market reach
Digital marketing	➡	Direct consumer contact
New digital products	➡	New revenue streams and wider distribution
Global digital reach	➡	Worldwide scale of our platform
Direct selling	➡	Differentiated products

HarperCollins

I've included here a slide from last year's presentation it shows the key ways in which we're positioning HarperCollins as a 21st century publisher — an overview of how our investments and strategy will benefit your authors as a result.

A year on, our strategy hasn't changed. This has been and is our focus = especially in light of the new developments in the market.

1. THE BIG THREE

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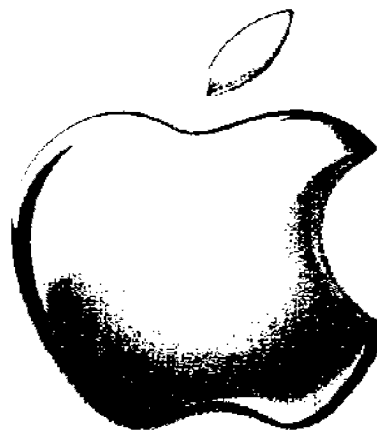
HarperCollins

Since we last met, a lot has changed in the publishing market place. There are now 3 big players that are dominating our marketplace – Amazon, Apple and Google.

Essentially three new major channels where publishers can push/surface/sell their digital content.

I'm not going to rehearse the arguments about the **dwindling power of the high street, we all know that it's still a big player**, but we have to look to the future....

THE BIG THREE

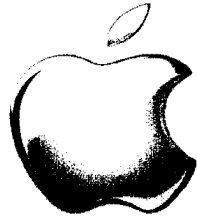


amazon

Google™

Harper

THE BIG THREE



amazon

Google™

HarperCollins

Both our and the author/agents incentives are aligned and we are negotiating with these major players on all of our behalves as part of News Corp.

It's about doing the right deals with these major players for us and our authors to ensure we are represented as best we can (including opt-out etc).

We believe HarperCollins is best placed to do this - Big publishers + News Corp strength = Best in Market.

We can differentiate the positioning by using economics of group/ unique assets and capabilities

HC has already done deals with

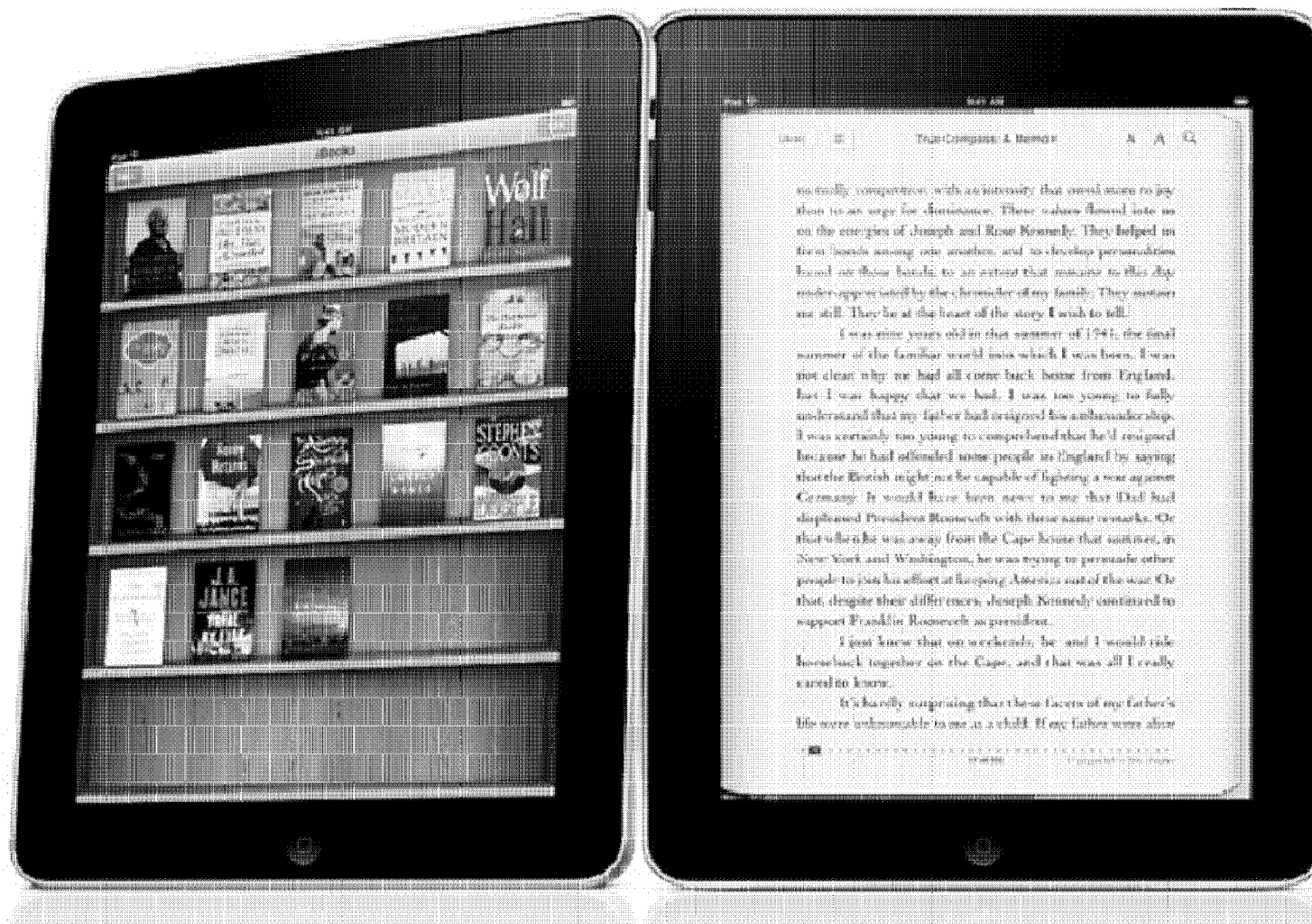
Amazon – are dominant - (most ebooks from a single publisher live when Kindle store opened in the UK)

Apple – expect them to be dominant - Best deal done, offering best value for authors / to protect value of content.

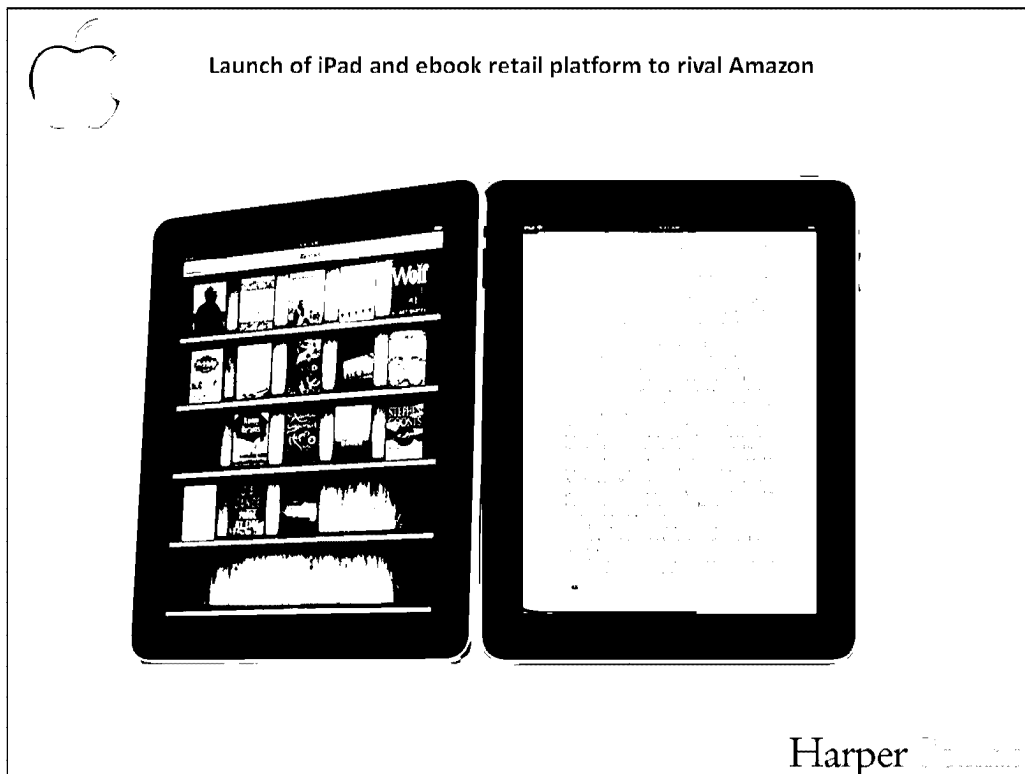
Google – if/when they enter the market we expect them to be dominant so need to ensure we're having the right conversations with them,



Launch of iPad and ebook retail platform to rival Amazon



Harper



1. Launch of iPad in Q1 2010 to massive consumer excitement. 2. Intend to sell enhanced ebooks with convergent media. 3. Expect them to develop an excellent consumer environment with iBookstore, given their track record with iTunes.

HARPERCOLLINS and APPLE: HC led the way for publishers on this deal and was one of 5 major publishers signed up to provide ebook content to the iPad when it was announced in January. Negotiated a deal that we believe is best for our authors, offering best value for authors and protecting the value of content.

APPLE: WHAT DOES THIS DEAL MEAN?

A door opening for everything else as books is a real focus of launch of iPad
 Opens up digital reading to the mass market, not just those that have invested in a dedicated e-reader

Pricing – switches it to an agency model: Gives publishers control to set prices at a level they believe is fair

Has put pressure on Amazon.com to do what the publishers want and has given us the opportunity to renegotiate with Amazon

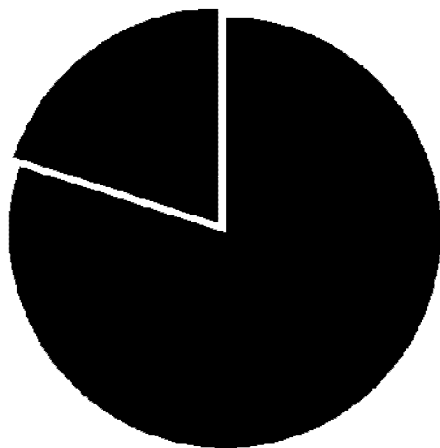
Competition : Lower barrier to entry for others, so now not just about Amazon

Product development : Platform for new products (e.g. video, colour etc)
 Opportunity to develop a scalable enhanced content mechanism

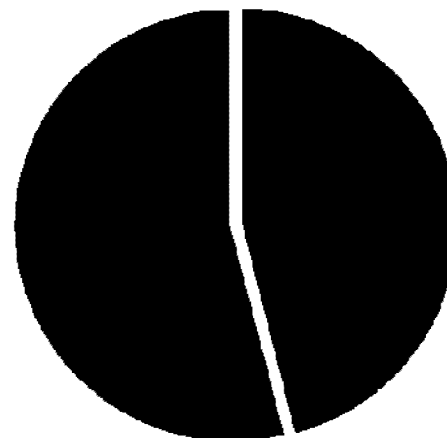
amazon

Dominates sales, wants to build market share

80% eBook sales in US

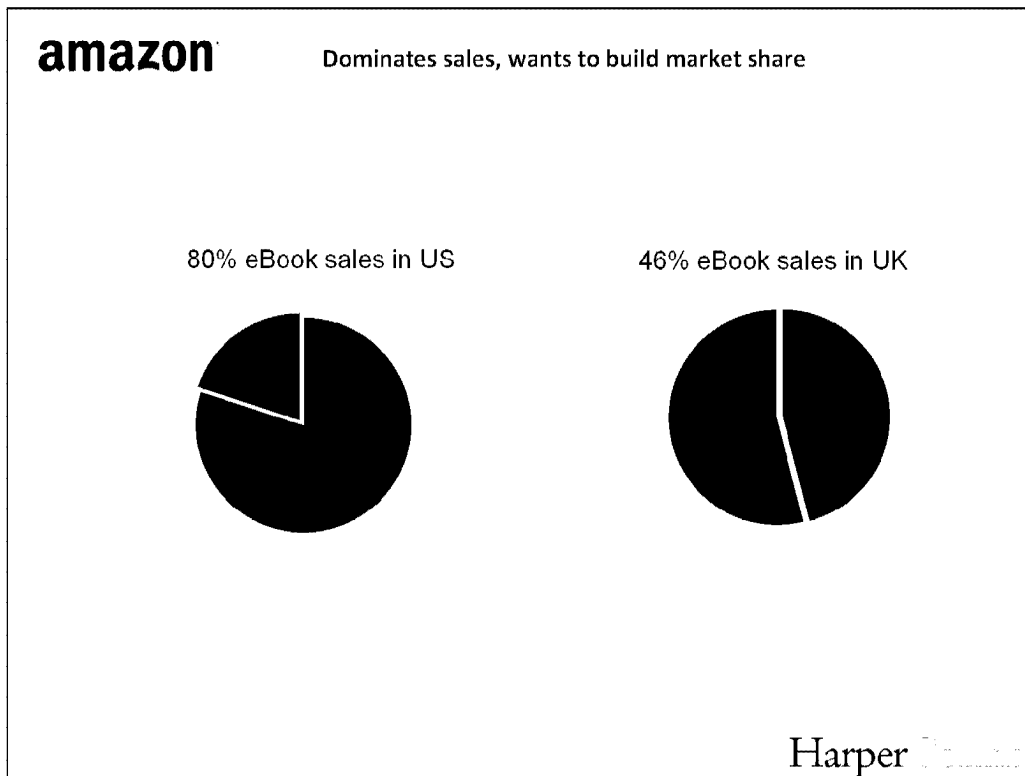


46% eBook sales in UK



Harper





Amazon accounts for 19% of our physical book sales, second only to Waterstones. (IN us 19% of physical sales)

Dominates sales of ebooks in US (launched 2007) accounting for approx. 50% of sales, and approx. 46% of sales in the UK (launched end 2009)

Strategy of building and maintaining market share by locking in consumers with proprietary DRM and predatory pricing (e.g. \$9.99 for ebooks).

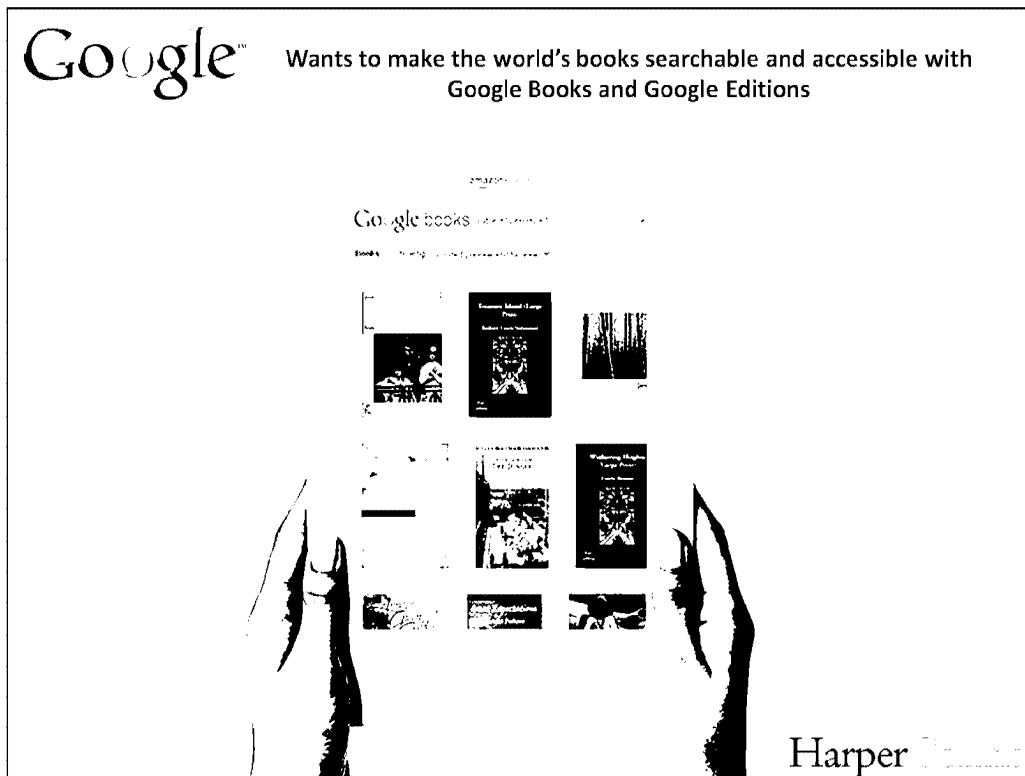
HARPERCOLLINS and AMAZON: When the Kindle launched in the UK, HC had more ebooks on the site than any other UK publishers.

Apple agency model protects the value of content and as a result has given us the opportunity to renegotiate terms with Amazon.

The Apple agency model deal means that we will have to **shift to an agency model with Amazon which will strengthen our control over pricing.**

Apple deal is stopping Amazon becoming a monopoly – they become one of multiple retailers in a healthy market.





Now we've constructed agency model with Apple and Amazon, we would like to construct this deal with Google so they become the third player in this healthy market place.

They have a massive digital books programme for backlist with Google Books and intention to launch Google Editions for front list (acting as a retailer and wholesaler)

Currently in negotiations with Google regarding HarperCollins involvement in the Google Editions programme. Need to ensure they don't erode value of our content.

Google Books: More than 7 million books have been scanned so far for this digital books programme, and they also intend to launch front list proposition, called Google Editions.

Google Editions: To launch in 2010 as both a retailer and a wholesaler of digital books.

Want to develop 'cloud' proposition, to support the promise of 'buy anywhere, read anywhere', enabling reading over any device with internet connection.

HARPERCOLLINS and GOOGLE

Currently in negotiations with Google. We need to manage the opportunity of Google entering the market to ensure they do not erode the value of content.

Most recent news: - They are willing to go to 30% agency model - They are willing to remove cut and paste and printing from functionality - They are willing to decouple the search agreement (CHSA), and the editions agreement.

2. FURTHER CHANNELS

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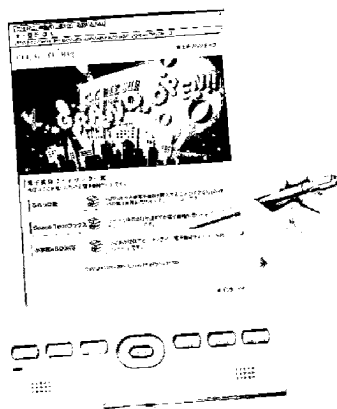
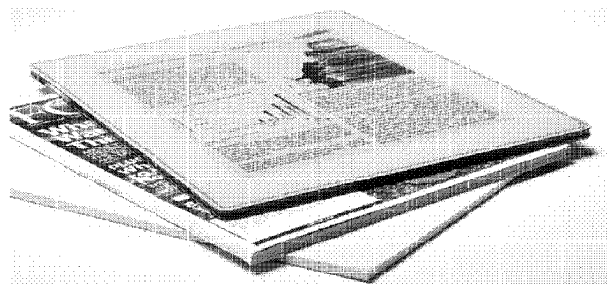
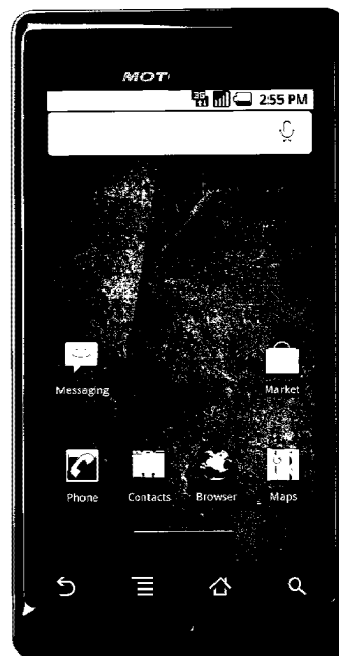
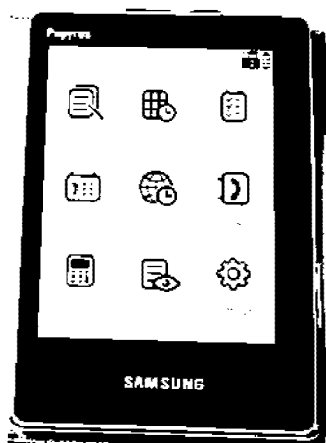
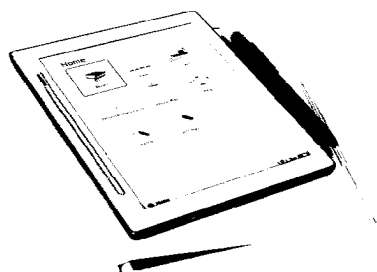
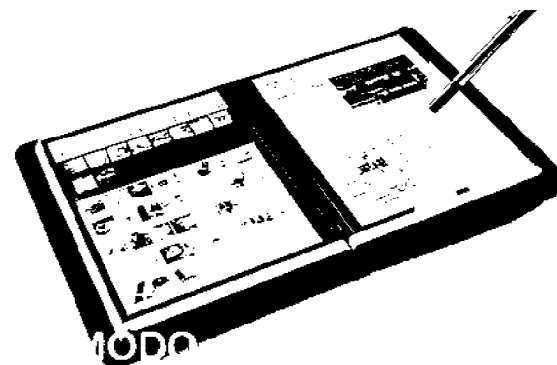
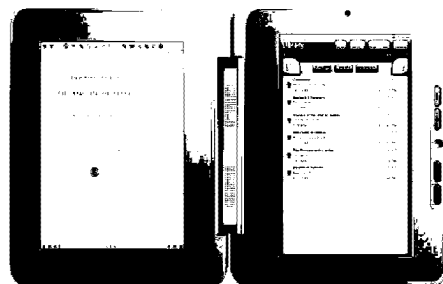
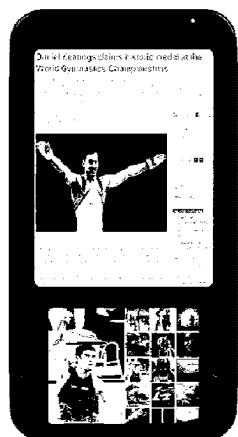
BUT it's not just about the big three, it is essential for us, and the publishing industry in general, that we develop other channels, and innovate new products, for our content.

HarperCollins are doing this 3 ways:

Developing content/products for new Devices

- Working with new platforms (existing channels and new entrants)
- Working with our News Corp sister companies

ENHANCED EREADERS & CONVERGENT DEVICES



Harper

ENHANCED EREADERS & CONVERGENT DEVICES



If we're talking about channels, it's not just about the kindle or the iPad, there are currently more than 25 dedicated ereaders devices available – and even more scheduled for release in the next year. *Forrester Research said that 4 million e-readers sold in 2009, with 6 million expected to sell in 2010*

Then, it's not just about dedicated ereader devices, convergent devices open up a whole other channel for our content....

PLATFORMS

EXISTING PLAYERS

W
Waterstone's

kobo
..

bn.com
BARNES & NOBLE
barnesandnoble.com inc.

NEW ENTRANTS

NOKIA

SAMSUNG


vodafone

HarperCollins

PLATFORMS

EXISTING PLAYERS

W
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kobo
..

bn.com
BARNES & NOBLE
barnesandnoble.com inc.

NEW ENTRANTS

NOKIA

SAMSUNG


vodafone

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In addition to leverage NewsCorp's strengths to negotiate deals with the new major players and using our sister companies to develop new channels and products, we can also use its strength and reach to give us access to new markets...

If we are going to continue be a major player in this market we need to do the best deals with the Apple, Amazon and Google but we can't just stop there. We need to ensure that we are creating partnerships with a variety of other platforms and channels to provides them with our digital content.

EXISTING PLAYERS – opportunities for a joined up physical and digital sales approach.

We have already worked with Nintendo (UK and US) with our 100 Classic Books product, and looking to expand our content to other gaming development companies.

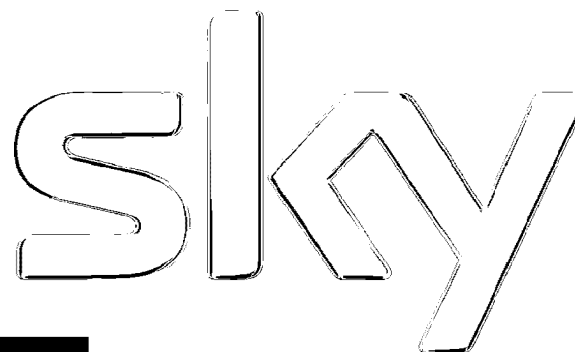
NEW ENTRANTS – got a digital content business but not book business. Opportunities for new business models

We are in discussions with all these – and other – platform providers regarding providing them with our content.

NEWS CORPORATION

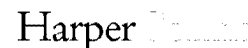


THE WALL STREET JOURNAL.



HarperCollins

NEWS CORPORATION



The fact that HarperCollins is part of the NewsCorp family, is a unique differentiator as a publisher.

- Allowed us to negotiate best in the market deals with Apple and Amazon.
- Creative Networking Publishers such as ourselves are part of broader media companies, and we can help authors develop their content in other fields (TV, Film, journalism), and help them network.

We can also use our sister companies to develop new content channels and new products.....Current NewsCorp initiatives that are in the pipeline....

- MySpace Words – working on a consumer books offering in the MySpace environment
- Times Book Club – developing a Books proposition with the Times online, including direct to consumer sales
- Sky – about to sign audio book deal through Sky Songs and looking at a possible ebook proposition.

3. PRODUCT DEVELOPMENT

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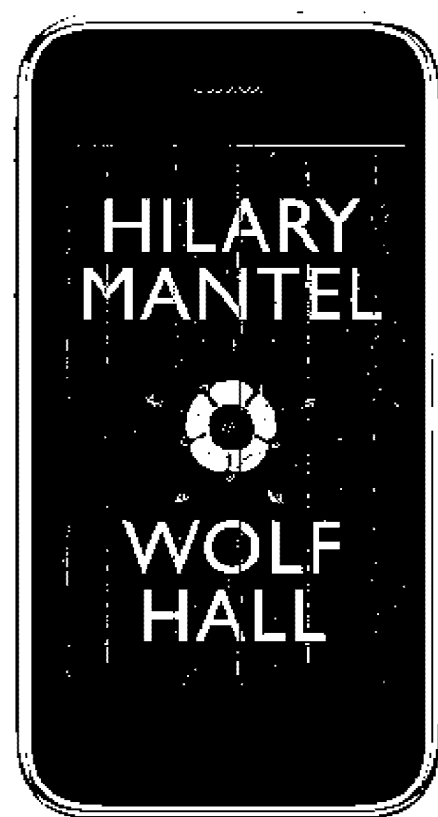
HarperCollins

Going beyond the book: As part of our business development strategy, we are investing in development and innovation of new products

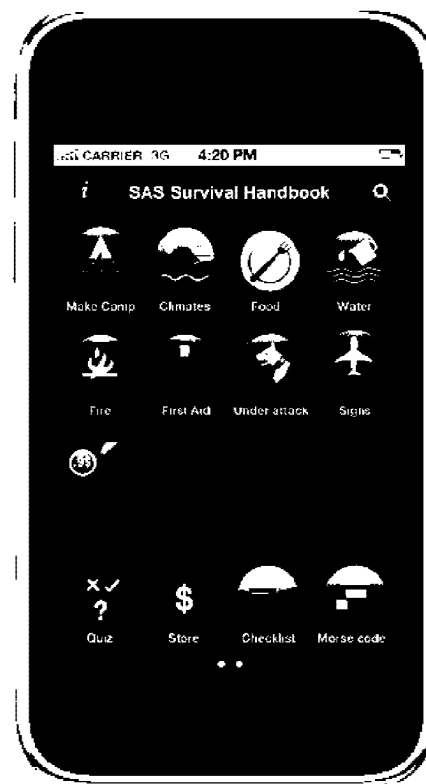
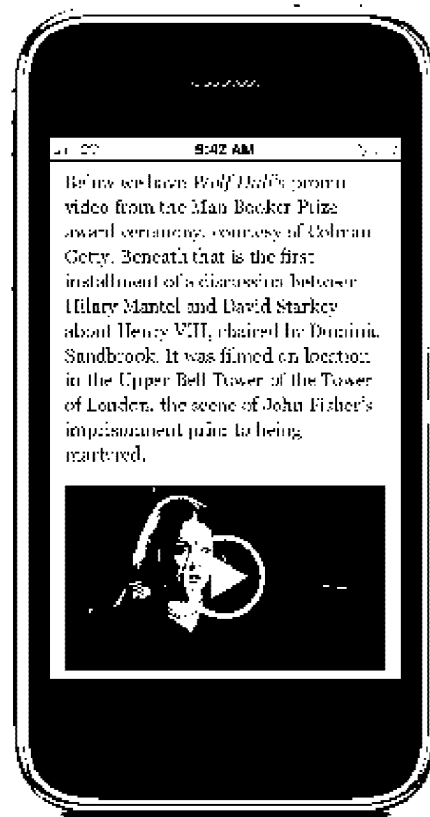
Using our content and pushing it through other channels for example creating Apps, Nintendo DS etc.

This process of developing new digital products starts with authors and editors. Good editors help authors realise the potential of their work. In the digital space where new product development is a significant trend, editorial input will be key to developing new modes of writing and storytelling, and reaching the audience of the future. Publishers are uniquely placed to support this process.

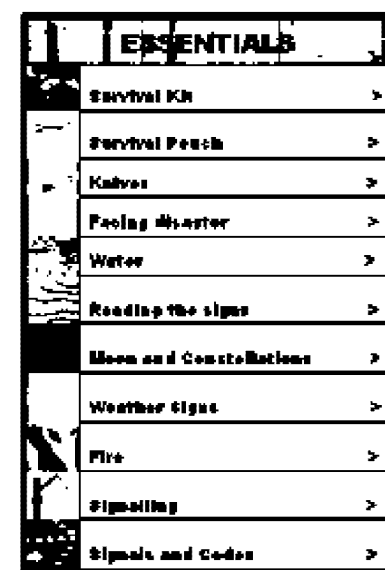
ENHANCED PRODUCTS



Wolf Hall Enhanced Edition



SAS Survival Guide App



ENHANCED PRODUCTS



Wolf Hall Enhanced Edition

SAS Survival Guide App

HarperCollins

ENHANCED PRODUCTS

- Enhanced products are becoming increasingly important for consumers
- HC id leading the way in production of scalable technology for developing enhanced ebooks and content for our authors
- Opportunity to add value to all author content
- Content would be fed directly from HC into our major content platforms (thanks to the deals we've been able to negotiate)

Examples of HarperCollins Enhanced content shown:

Wolf Hall Enhanced Edition: Using our Book Prize winning content to create enhanced edition ebooks (free sampler and paid version): includes; special video footage, regularly updated news-feed review quotes with links to full reviews, Booker video of Hilary as shown on *Newsnight*, , links to other Hilary Mantel writing on the internet, a host of optional features created for the I-phone such as tilt-to-scroll, add bookmarks and email quotes to friends.

SAS Survival Guide App

NEXT SLIDE IS THE SCOTT PILGRIM VIDEO, CLICK AND WAIT (FOR A FEW SECONDS) FOR THE VIDEO TO LOAD AND PLAY

SCOTT PILGRIM APP

SCOTT PILGRIM APP

HarperCollins

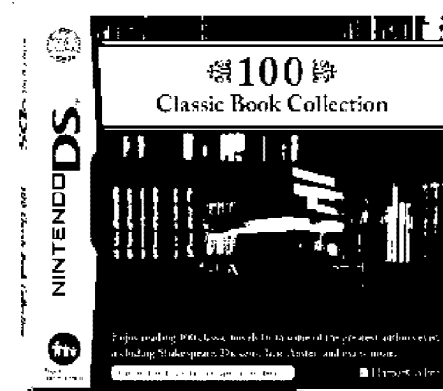
Following the success of the comics, HarperCollins have decided to take Scott Pilgrim to a new audience by creating a iPhone app (will also be available on the iPad later in the year).

VIDEO STARTS AUTOMATICALLY - (LENGTH – 45 SECONDS)....

NINTENDO 100 CLASSIC BOOKS



her elevation; and such
 their acquaintance
 thought Miss W.
 Miss Frances quite
 handsome as Miss
 did not scruple to
 their marrying with
 most equal advantage.
 But there certainly
 not so many men
 fortune in the world
 there are pretty women



HarperCollins

NINTENDO 100 CLASSIC BOOKS



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 But there certai
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4

HarperCollins

We talked about the massively successful launch of Nintendo 100 Classic Books in the UK last year, **we've now expanded this to the US market (to be released in March 2010)**

Also talking to Nintendo and other major gaming developers regarding new products for both the UK and US market.

PRINT ON DEMAND


The New Naturalists Online

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Please contact us if you have any questions or comments. We value hearing from you and always respond.

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Harper



POD technology lets us print individual books in response to individual orders. A print on demand copy of a book otherwise out of print allows collectors to fill gaps and provide an edition to read and enjoy. All out of print editions, from 1 (Butterflies) through to 98 (Bumblebees) are now available as print on demand only through the NN website.

Across all HC titles and through all retailers, HC currently have 674 titles available on POD offering consumers titles that would otherwise be out of print.

Print on Demand advantages:

- a low risk model, because we sell the exact supply for demand
- even with initial set-up cost (around £10- £15 per bk), is a cheaper solution since there is no 'sitting on stock' in the warehouse
- there are no storage costs
- a title can be tested for popularity and if sales are good, division can then do a short run of books
- Books can be taken out of sale at any time

4. ADDING VALUE

4. ADDING VALUE

HarperCollins

In addition to negotiating with major players on our authors behalf,
developing content for new platforms/channels and innovating product
development, we're adding value to authors in many other ways....

INCLUDING AUTHOR SERVICES, DIGITAL MARKETING ETC

CONSUMER INSIGHT



Harper & Row



HarperCollins is the only UK publisher to have a Consumer Insight division – it's massively important for us to have this insight into our consumers about their habits and needs.

This insight helps us with all aspects of our business from selection of authors to marketing etc.

The ability to switch seamlessly between audio and ebook formats also has high appeal, although fewer consumers overall would actually be willing to pay more for an ebook with this function - 15% agree it has high appeal and they would pay more for it, but only 30% in total agree that it would be worth paying more for.

Source: Key Insight from HC-US Survey WRT Enhanced Functionality and Content

Research found that want consistent of content so they have the ability to seamlessly switch between audio and ebook content – massively insightful when comes to development of new products

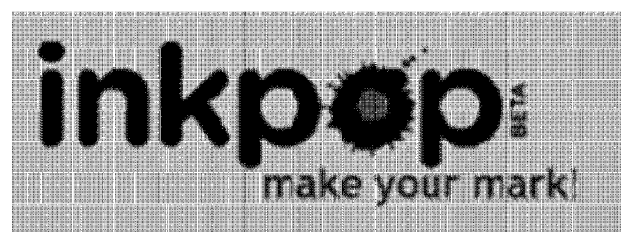
CONSUMER PROPOSITIONS



HarperCollins



from HarperCollins



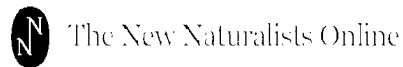
The New Naturalists Online

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CONSUMER PROPOSITIONS



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Working to create direct relationships with consumers giving us insight, direct marketing capabilities, greater ROI and long term customer value - also include direct to consumer selling. Working to expand this portfolio further.

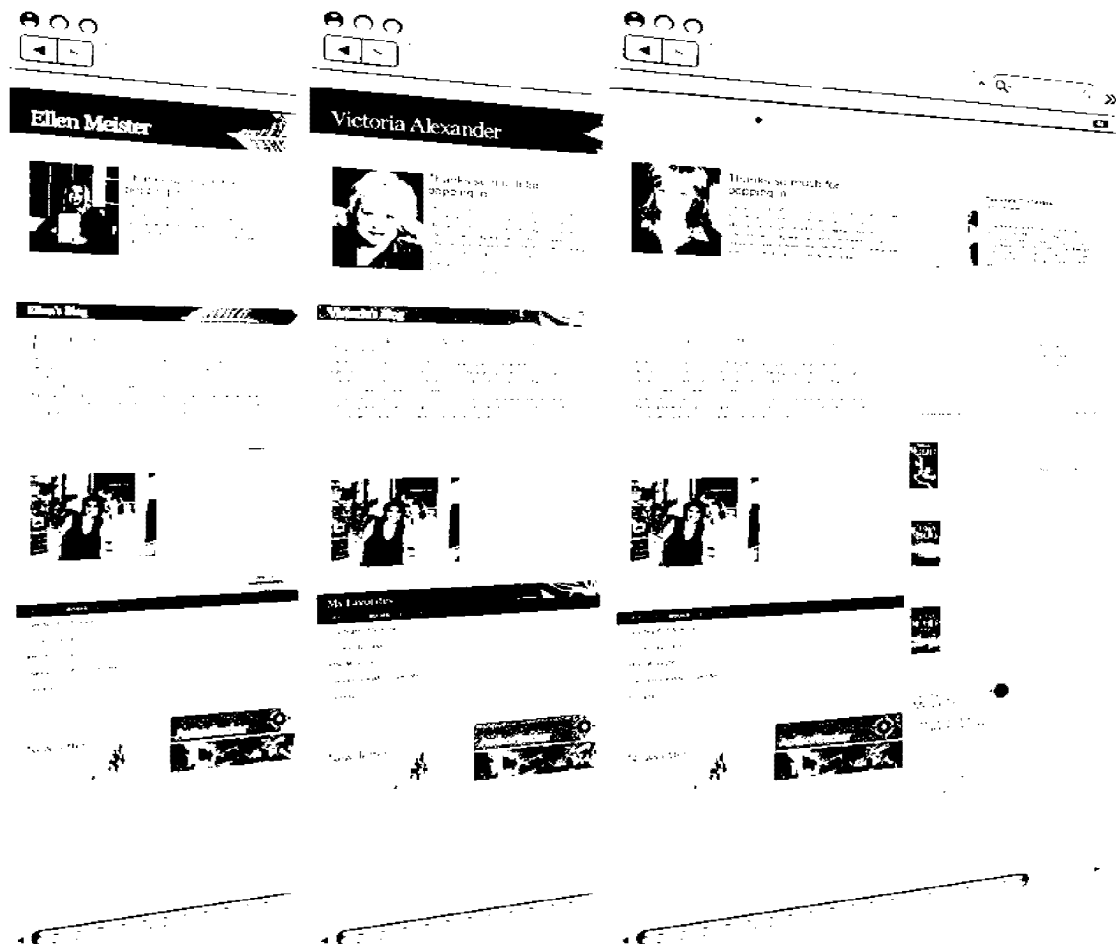
Optimize marketing spend and increase hit rates by having consumer insights and direct relationships embedded in creative/ marketing processes

Opportunities for our authors to talk directly to their consumers online – and also possibilities for direct sales opportunities.

AUTHOR SERVICES



Author On Air



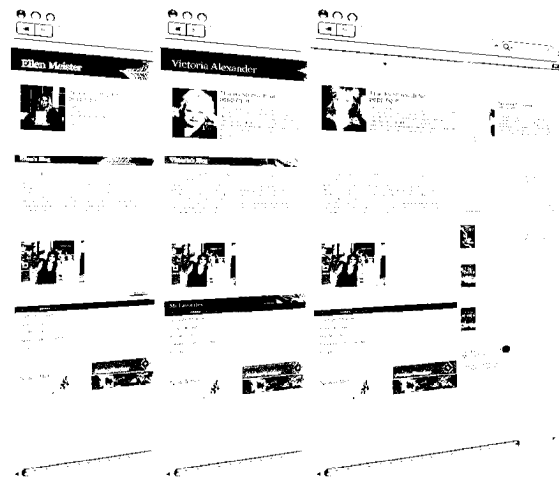
Author Assistant

HarperCollins

AUTHOR SERVICES

Authors on Air
Where Readers and Writers
Listen and Connect

Author On Air



Author Assistant

HarperCollins

As well as having a range of online platforms to promote our authors and content and engage directly with our consumers, we are dedicated to providing Author Services to our authors to further enable them to connect with their readers. **These tools demonstrate how we are harnessing our power and scale as a publisher to add value for authors, while connecting them with fans who want more from them....**

Authors on Air: Give readers the opportunity to connect with their favourite authors through online chats.

Author Assistant: Is a proprietary online application that enables authors to create and post information, images and links quickly and easily to “Help Authors Create and Connect.” This utilization of online technology to support authors on the Web marks the latest development in HarperCollins’ industry-leading digital and direct-to-consumer marketing efforts.

Our Author Assistant tool, and our Author Pages,,” said Jane Friedman, President and CEO of HarperCollins Publishers Worldwide.

HARPER PLUS

HarperPlus

HarperPlus / How To Grow Your Own Drugs


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GROW YOUR OWN DRUGS

a year with james wong

Over 100 great new remedies
Seasonal guide to growing and storing



James Wong is back, putting his ethnobotanical expertise to use once again, with over 100 new, natural, cheap and easy remedies, showing you and those around you how to have a fantastically healthy year.

Page Number

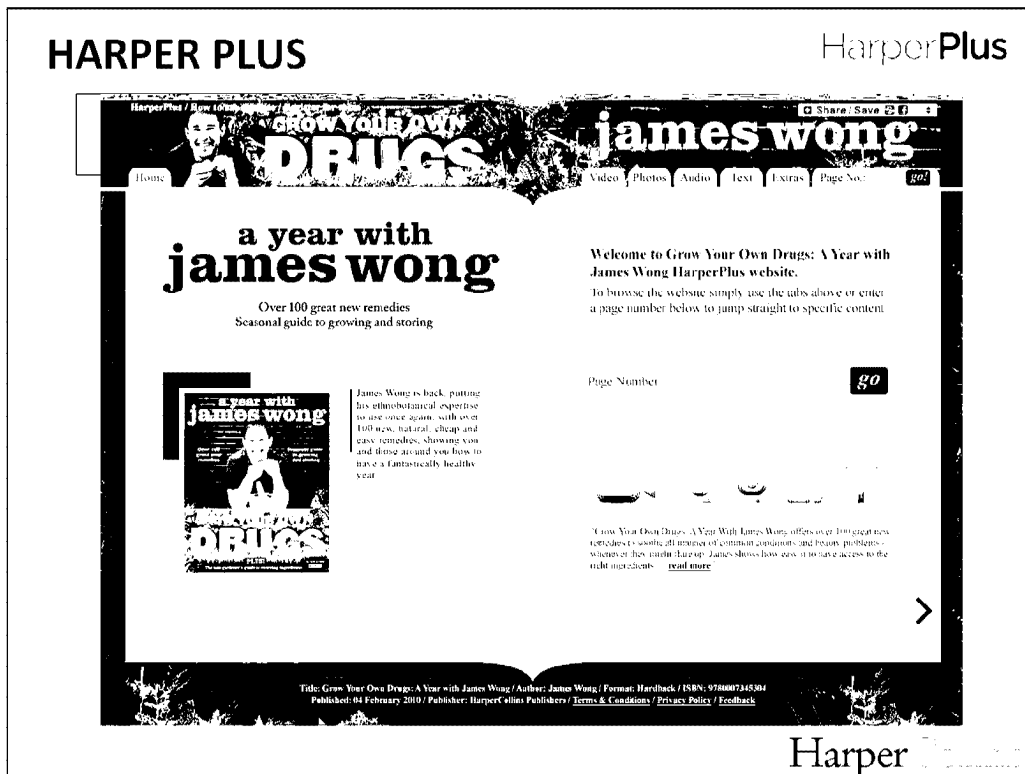
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"Grow Your Own Drugs: A Year With James Wong offers over 100 great new remedies to soothe all manner of common conditions and beauty problems - whenever they might flare up. James shows how easy it is to have access to the right ingredients." [read more](#)

[Title: Grow Your Own Drugs: A Year with James Wong / Author: James Wong / Format: Hardback / ISBN: 9780007345304](#)
[Published: 04 February 2010 / Publisher: HarperCollins Publishers / \[Terms & Conditions\]\(#\) / \[Privacy Policy\]\(#\) / \[Feedback\]\(#\)](#)

HarperCollins



Following on from the success of Ed Macy's Apache Harper Plus, **Grown Your Own Drugs**.

Harperplus is really designed to allow you to include content into your book that you can't put into your book. **site** to allow content to be hosted, displayed & easily referenced (could be mobile / iTV /iptv etc) indexing system for the book to alert & drive people to the additional content allowing tight integration with online media. bundle this all together to make for a more compelling reading experience. Aiming to compliment traditional reading experience but doesn't intrude for those unable or unwilling to use



PARTNERSHIP: VIRTUAL AUTHOR TOUR



HarperCollins



PARTNERSHIP: VIRTUAL AUTHOR TOUR



HarperCollins

November's 'Virtual Author Tour' with Cecelia Ahern

A recent and developing relationship, HarperCollins are the first publishers to officially partner up with Skype. Events were held at retailer partners at locations around the globe including UK, Germany, South Africa, Australia and Singapore. Fans got the opportunity to chat with Cecelia from her home via Skype video call.

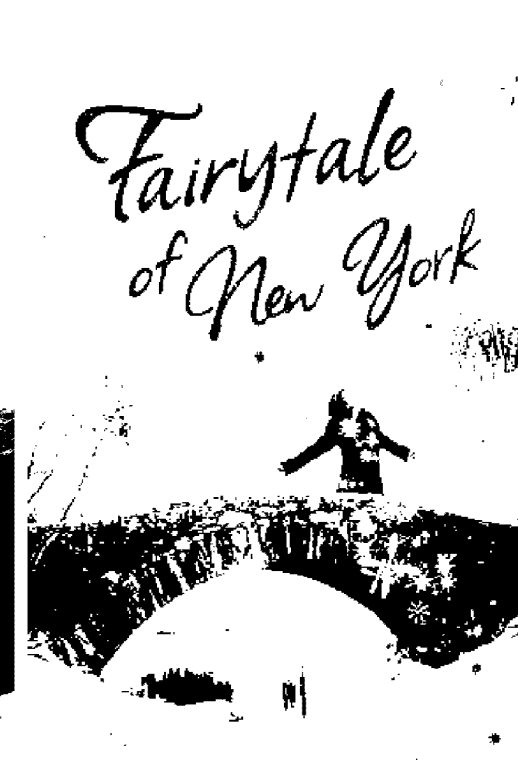
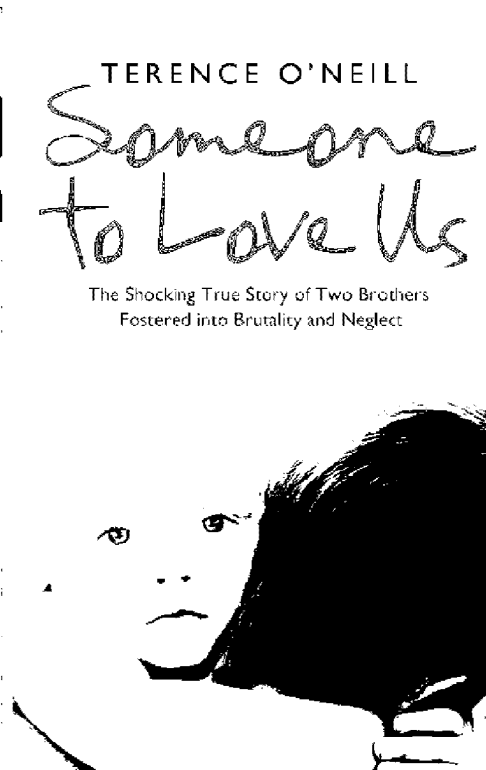
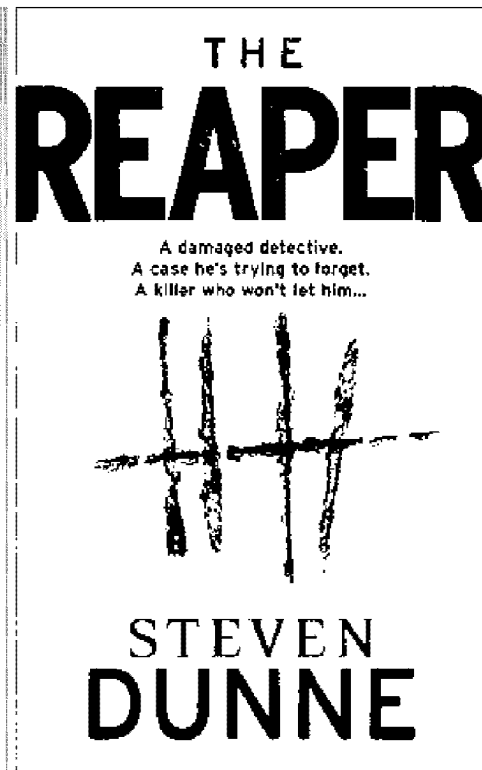
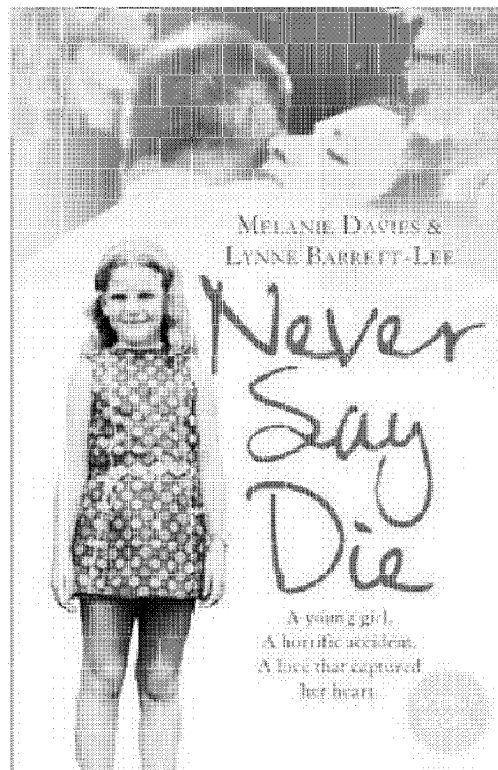
The tour was extremely successful generating cross-platform, international PR coverage. **Success?** Going forward HC plan to work closely with Skype and their developing software – looking at how we can enhance author/reader events.

Forthcoming activity in discussion includes, a 'virtual' con to celebrate 15 years of the Voyager imprint, an event with Paolo Coelho's global fanbase and other smaller author tour initiatives

SEEDING AND BREAKING NEW AUTHORS

authentic

from HarperCollins



HarperCollins

SEEDING AND BREAKING NEW AUTHORS



Up and coming authors need publisher support to develop their voice, find their audience, and support them with advances which will allow them to focus on writing full time. The likes of Ian McEwan have benefited from these advantages, and may now choose to earn greater royalties by forsaking their publishers. However, publishers will continue to have a key role in fostering talent in the future, and many expect that authors will be happy for them to share in their future success.

Encouraging and supporting new authors with our unique literary talent-spotting community site authonomy.com

Authonomy.com enables writers to promote their work online and encourages a community of talent spotting readers to read, review and recommend their work. Top 5 rated manuscripts every month are reviewed by HC Editors. To date, HC has signed 4 authors discovered on authonomy.






SUMMARY - future, big wide open road. All of us together – amazing opportunities

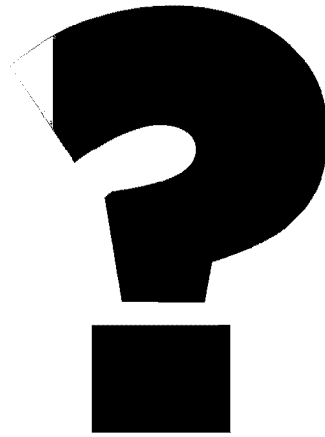
- Incentives between author and publisher are aligned
- **HC is in a great position to negotiate:**
 - We can distribute to all digital channels and across platforms to ensure authors reach the widest possible market. Can authors make deals with Amazon, Apple, Google, Microsoft, Nokia and umpteen other companies that will come into the digital space?
 - Maintain value by negotiating best deals We are committed to supporting a consumer price that reflects the creative endeavour of an author's work. Digital retailers and aggregators will drive price down, and if authors are forced to negotiate independently they will find it hard to resist digital retailers driving down prices in the longer term.
- Apple deal was a door opener for everything else
- HC has deals, so far, with 2 of the 3 major players
- Massive investment into other channels, products and author services
- **Based on these deals and developments we need to develop a framework for royalties fit for the 21st century**
- We see digital and physical rights as part of the ensemble
- Authors and HC have a great future together

QUESTIONS?



Harper 

QUESTIONS?



HarperCollins

ROYALTIES & RIGHTS

DO WEE NEED TO INCLUDE A SLIDE ON THIS?

We intend to revise the royalty structure and come back to you

Stronger arrangement with Apple, Amazon etc – now on a strong footing to come up with a strong royalty structure

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Agents question what the appropriate royalty rate for digital products should be, but given all of the above (investment in channels, products, added value for authors) we hope they see the value for money here and that our investment level is high.

Breaking up physical and digital rights disincentives publishers to support books fully. Only by publishing both physical and digital together can authors ensure the full commitment of their houses, and leverage opportunities such as bundling physical and digital content under a single consumer price.

Brian Murray quote? Authors get 18% net receipts on average – the revised level is 25% - which actually represents a rise. Is this true in the UK?????

Anticipated questions

Royalties

Need to make sure all are in agreement for this. Need to put together a contracting framework fit for the 21st century – looking at everything and the best position for authors

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