

Subject: NYT bestseller comparisons  
Date: Wed, 06 Jan 2010 18:16:35 -0800  
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Eddy--

I've updated the spreadsheet below, deleting some columns and adding others. Before I send, with some edits, to publishers, I have two observations:

1) B&N is matching Amazon on ebook prices, but not matching Amazon on physical book prices. I have a theory about Amazon's strategy, and why B&N isn't matching physical prices, but will save for our next conversation.

Because B&N's Hardcover Member prices help bolster publishers' argument that ebooks could be priced competitively at \$14.99--only 5 of the 32 bestsellers below are priced by B&N in hardcover below \$15, and some just barely--I think we ought to leave this column out. It weakens rather than strengthens our argument. Maybe we lose the B&N ebook column, too, and simply use Amazon as the industry leader for both physical and ebook pricing. Or, add a Wal-Mart column for hardcover pricing, which I suspect is nearly identical to Amazon's.

2) Publishers are getting \$14 wholesales or higher on just over half these titles. This is what publishers are objecting to with the \$12.99 price tier in the agency model. I bet they're willing to accept a \$9.09 agency cut for titles with physical wholesales of \$12 or \$13, but can't stomach a \$5 or \$6 spread on titles with \$14 or \$15 wholesales. I will take the wholesale column out before sending to publishers, too.

Adding a \$14.99 tier for titles with list prices more than \$30 would only help publishers with two books on this list --Stephen King and Edward Kennedy.

If we were to add a \$14.99 price tier for ebooks with list prices of \$27.99 or higher (wholesales of \$14 or higher), we're still lower at a \$14.99 retail than Amazon physical pricing on 8 NYT bestsellers, about the same price or \$1 higher on another 8, and \$3 higher on four.

However, if we're on equal footing with all other ebook retailers at \$12.99 and \$14.99 for all new releases, and lower, comparable, or

**Exhibit 24**  
**Cue**  
**03/12/13**

**K. Schroeder**  
CFR EBF CCF

within \$1 on the vast majority of physical bestsellers, who cares if Amazon is willing to lose \$3 a unit on a few hardcover loss-leader blockbusters (e.g. Dan Brown, Superfreakonomics)?

Could Amazon shift its strategy from losing lots of money on ebook bestsellers, and instead discount hardcover titles even more? Sure, but I don't see the motivation (They'd lose more money from the bottom line of a multi-billion dollar physical book business, where the losses are truly meaningful, and depress new-release e-book sales at the same time.)

If anything, the pressure to race Wal-Mart to the bottom with hardcover pricing is greatly lessened if new-release ebooks are \$12.99 and \$14.99 instead of \$9.99. In fact, I suspect that the \$9.99 ebook price point is what started the price war with Wal-Mart on hardcovers this holiday season.

Keith

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