

From: Sargent, John
Sent: Tuesday, February 2, 2010 11:46 PM (GMT)
To: 'Grandinetti, Russell' <russ@amazon.com>
Subject:

Hi Russ.

We talked until just now. We tried to find a solution and frankly could not. Bear with me as I digress:

We can not budge on the final price that the consumers pay for our books. Not what is listed, but what they actually pay. That is the very heart of the agency model, and it is why we are doing this.

You will have a store. You will be able to price promote like mad with all the titles that are not on an Agency plan. You will retain all the advantages you currently have except pricing for our books. And you will never be disadvantaged on that pricing. Nor will you ever be disadvantaged on promotions.

About promotions. I have worked with Amazon since the very beginning. From the initial set up of stores within a store (vaguely recall that was the moniker) to look inside the book two, we have always been supportive. I understand retail promoting and why it is important. I believe the model will evolve and that over time we will agree on a level of promotion that is frictionless between us.

But we can not give up control of price. If we do we are much worse off than we were before. Before I could renegotiate in a year, and I could take away my books at any time. Now I am locked in for three years and have no leverage at all.

I guess in the end there will be a difference between a retail store and an agency store. Trying to run both in Kindle will make promotions more difficult and complex I would think. That has never stopped you guys before. You will naturally advantage your retail vendor's books, and that will be something we live with (but do not underestimate the pressure that will come to bear from our authors- and from our own competitive instincts!- to be part of those promotions).

I'm rambling Russ. I apologize. I'll let you be...

John