

---

**From:** Naggar, David  
**Sent:** Wednesday, January 27, 2010 11:35 AM  
**To:** Porco, Laura; Leslie, Tim  
**Cc:** Grandinetti, Russell  
**Subject:** privileged and confidential: agency summary.docx  
**Attachments:** agency summary.docx



## Current situation:

Publisher Name	Kindle Title Count*	Physical Title Count	Onsite Kindle TTM DWC*	TTM physical DWC*	DWC Share*	Share of Total On-site TTM DWC*	Dec 09 Kindle COGS as % of Physical COGS	Dec 09 Kindle COGS
Random House	11,901	74,282						
Penguin	10,302	55,115						
HarperCollins	6,682	39,289						
Simon Schuster	6,968	37,220						
Hachette	3,557	14,744						
Macmillan	3,750	33,118						
<b>Top 6</b>	<b>43,160</b>	<b>253,768</b>						

## Latest publisher communication:

### Random House:

Jan 11<sup>th</sup>: Madeline McIntosh (President Digital, Sales, and Operations) and David spoke on the phone. Madeline was assuming we would not want any part of an agency model and was happy to stay away from it (they don't want to deal with consumer pricing and they assumed we wouldn't want to go there). David confirmed we were not interested in the agency model. They are willing to stay away from agency but are concerned about being the only one left out of the Apple deal.

Feb 1<sup>st</sup>: Madeline and team will be in Seattle for meetings. They will use their status as the only publisher not pushing agency as a way to lever other concessions from us that help grow their share (merchandising, subscriptions, early release, etc.).

### HarperCollins:

- Jan 20<sup>th</sup>. Russ and David met with Brian in NY, Brian outlined their desire to go to an agency model. We told them that we were trying not to be closed minded, but on the face of it we were not interested. Nothing we've seen gives us confidence that publishers will do a good job with consumer pricing.
- Jan 22<sup>nd</sup>: Brian sent an outlining agency fee terms:

"all ebooks would be delayed 6 months for all retailers that are on our standard "reseller" terms. However, HarperCollins would make all ebooks available simultaneously with the hardcover to any partner who is willing to be an agent. In an agency model, HarperCollins will set the price for the consumer.

HarperCollins ebook prices for new release titles will be between 12.99 and 19.99 with the vast majority of titles in the 12.99 and 14.99 price points (some could be \$9.99). HarperCollins will pay the agent a 5% commission on these sales. Generally this 5% commission will last for the first 6 months of a new hardcover.

For titles that are not new releases (backlist, paperbacks, new titles that are more than 6 months old), HarperCollins will pay the agent a commission of 20%. Prices will all be \$9.99 and below

We haven't made any decisions yet about how we will sell ebooks to consumers yet, but decision time is approaching."

- Jan 27<sup>th</sup>: Brian sent an e-mail saying they have decided to go to the agency model.

“In the interest of “no surprises”, I wanted to let you know that we decided to change our ebook model for new releases to an agency model. Late last night we reached an agreement with our first agent, Apple. This wasn’t a simple or easy decision but we’ve made it. I know that you are considering the implications of these changes. We will be ready to discuss this with you as soon as you are ready.”

**Macmillan:**

Jan 20<sup>th</sup>: Russ met with John Sargent in NY. John indicated that he was working on an agency model but his plan was to offer both an agency and reseller model.

Jan 21<sup>st</sup>: John and Russ by phone. John realized that the Apple contract required him to only offer the agency model only and wanted to talk through options with Russ. Russ indicated .....XXXXXXXX

Jan 22<sup>nd</sup>: John and Russ by phone. XXXXXXXX

Jan 28<sup>th</sup>: John Sargent coming to Seattle for meeting.

**Simon & Schuster:**

Jan 20<sup>th</sup>: Laura met with Michael Selleck in NY. Said they were constantly discussing potential new terms for ebooks but said that nothing was settled or on the horizon and that they currently weren’t planning for selling under agency terms. When asked what agency terms would look like and what they were contemplating he didn’t answer the question except to say nothing was currently imminent and they would discuss with us before they made decisions.

Jan 22<sup>nd</sup>: Carolyn called Russ. Told him that S&S was likely moving to agency terms for their entire business. Russ told her XXXXX.

Jan 26<sup>th</sup>: Michael Selleck called David to “keep the lines of communication open” and offer a conversation when we had had time to think things through. They know we are not happy with this decision and want to work with us to make it work. David told him the agency model was not our preferred model as they knew but we were trying to keep an open mind. It would take us some time to think through our response.

**Penguin:**

No meetings or conversations about agency models. We have reached out but not been called back.

**Hachette:**

Jan 20<sup>th</sup> in NY. Laura met with Maja Thomas (head of digital for US who reports to David Young) Maja said they were looking at agency models but hadn’t spoken to us about them assuming we would be uninterested. Stated that their lawyers had told them that they could only offer one model (either agency or reseller) but not both.

Despite two attempts to contact David Young, there has been radio silence.

