
From: "Maja Thomas" <maja.thomas@hbgusa.com>
Sent: Monday, January 4, 2010 05:30:30 PM
To: "David Young" <david.young@hbgusa.com>
Subject: Re: iTunes

Yes, but as you say, it is their opening. For comparison, it is 52% off, instead of our current 50%.

On 1/4/10 5:09 PM, "David Young" <david.young@hbgusa.com> wrote:

I believe your recollection is correct. My immediate concern, as you will have seen in my email to AN, is that his opening gambit for top price is \$12.99 which is at least \$2 (minimum) off. \$26 HC = \$18 per the 30:30 discussions but maybe pushed to \$16.

From: Thomas, Maja
Sent: Monday, January 04, 2010 5:03 PM
To: Young, David
Subject: Re: iTunes

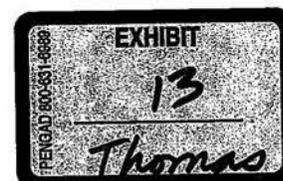
I'm just reading this through. Isn't this exactly what I asked Eddy and Keith in our meeting, and what they dismissed? (The agency model, with us setting prices?)

Just checking that my recollection hasn't be effected by sunstroke.

We have been (independently) pondering the tiering to suggest. You may be interested in seeing the tiers for the apps store (attached, and topping out at 29.99).

What do you think the fair consumer price is for a \$26 hardcover in ebook form?

Sorry this is coming your way while you are still in on vacation! Hope you



are relaxing when not being pinched between Amazon and Apple . . .

On 1/4/10 4:57 PM, "David Young" <david.young@hbqusa.com> wrote:
Arnaud:

Here's the first communication from Apply. Not good news on the pricing front although it is, of course, their opening play. It demands a change in our trading terms along the lines that we envisaged but not at a pricing structure that is acceptable. It is hard to imagine that the other key publishers will be happy with this proposal.

Best, David

From: Eddy Cue [<mailto:cue@apple.com>]
Sent: Monday, January 04, 2010 12:22 PM
To: Young, David
Subject: iTunes

Hi David,

I hope you had a great holiday!

After talking to all the other publishers and seeing the overall book environment, 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-market 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