Steal This Book (for $9.99)

By MOTOKO RICH
Published: May 16, 2009

Just how much is a good read worth?

David Baldacci, the best-selling thriller author, learned what some of his fans think when “First Family,” his latest novel, went on sale last month. Amazon initially charged a little over $15 for a version for its Kindle reading device, and readers revolted.

Several posted reviews objecting that the electronic edition of the book wasn’t selling for $9.99, the price Amazon has promoted as its target for the majority of e-books in the Kindle store. Hundreds more have joined an informal boycott of digital books priced at more than $9.99.

“I love Baldacci’s writing,” wrote one reader, who decided not to buy. “Sorry Mr. B — price comes down or you lose a lot or readers. I’ll skip your books and move on!”

It was a chilling sentiment for authors and publishers, who have grown used to an average cover price of $26 for a new hardcover. Now, in the evolving Kindle world, $9.99 is becoming the familiar price. But is that justified just because paper has been removed from the equation?

For many readers, this may sound like sufficient reason. Buying music, after all, is so much cheaper now that there aren’t discs and plastic cases. Shouldn’t the same logic apply to books? And if not, won’t the temptation to steal electronic copies online simply increase?

Publishers and authors say it is much more complicated than the cost of paper and shipping. The lower e-book price “is not sustainable,” said Mr. Baldacci, whose novels regularly rise to the top of hardcover best seller lists. If readers insist on cut-rate electronic books, he said, “unfortunately there won’t be anyone selling it anymore because you just can’t make any money.”
Publishers are caught between authors who want to be paid high advances and consumers who believe they should pay less for a digital edition, largely because the publishers save on printing and shipping costs. But publishers argue that those costs, which generally run about 12.5 percent of the average hardcover retail list price, do not entirely disappear with e-books. What’s more, the costs of writing, editing and marketing remain the same.

“The concept that because a book is an e-book it should automatically be priced significantly lower than a paper book is one we don’t agree with,” said Carolyn Reidy, chief executive of Simon & Schuster. “What a consumer is buying is the content, not necessarily the format.”

In making such arguments, publishers risk being viewed much like recording labels were a decade ago: greedy corporate titans who hide behind claims of high costs and creative entitlement as they resist the transition to a digital landscape.

For the moment, say some publishers, Amazon is effectively subsidizing the $9.99 price tag for new book titles in digital form by paying publishers the same $13 it pays them for a new hardcover title with a list price of $26. It’s a classic “loss leader” situation. Although Amazon won’t comment on the arrangement, the online bookseller is using low-price e-books as a lure to persuade consumers to pay $359 to buy a Kindle, or $489 for the new, larger Kindle DX.

But Amazon presumably won’t be willing to take those losses forever. And publishing executives say they fear that Amazon eventually will pressure them to accept lower payments for e-books.

Of course, Amazon is not the only retailer in the e-book market: Sony sells popular new releases for its Reader device for an average of $11.99. Fictionwise, recently bought by Barnes & Noble, offers New York Times best sellers for $9.95, though it charges hardcover prices for some e-books.

But for now, at least, it is Amazon that publishers fear most, because it has spent the most to popularize the idea of the e-book. Already, Amazon, which commands 5 percent to 15 percent of the book market, claims that for titles with Kindle versions, digital sales represent about 35 percent of total sales.

As the critics of Mr. Baldacci and dozens of other authors whose Kindle editions have been priced higher than $9.99 show, any attempt to raise e-book prices will be met with fierce resistance from readers who, not so long ago, thought they were getting a bargain when Amazon offered a new hardcover title for closer to $17.

The doomsday scenario for publishing is that the e-book versions cannibalize higher-price print sales. Publishing houses, already suffering from the recession, could be forced to cut author advances or lay off more editors.

“It’s like a flood of cheap houses onto a real estate market,” said Michael Norris, senior analyst at Simba Information, a market research firm. “Sooner or later it’s going to affect the prices of all the properties around them.”

On the other hand, it is not inevitable that publishers and authors will have to relent. As Amazon faces competition from devices like the widely expected tablet from Apple, “then the book publisher of Obama’s next book can say ‘O.K., which of you is going to offer us the best deal?’ ” said Fiona Scott Morton, a professor of economics at the Yale School of Management. “I don’t think the content providers have to be in a worse position.”
Another possibility is that the cheaper prices for e-books entice consumers to buy more titles. “If prices come down but the overall market is bigger, then we should be O.K.,” said Brian Murray, chief executive of HarperCollins Publishers. “But if prices come down and the market doesn’t grow, then we can’t make money.”

There is some precedent for that theory. When the smaller-format mass-market paperbacks that now populate airport bookstores and grocery checkout racks were introduced, publishers expressed fears that the lower-priced books might destroy the market for hardcovers. They didn’t. Instead, they expanded demand for books beyond elite readers.

Publishers and writers may hope that more readers are like Lina Albarella, a former book editor who said that in the 18 months since her husband bought her a Kindle, she has purchased close to 40 titles. While the $9.99 price is an attraction, she says she is more swayed by the instant gratification made possible by electronic books.

After buying the first in Stephenie Meyer’s “Twilight” series, Ms. Albarella finished it at 1 in the morning. She bought the next installment on her Kindle from her bedroom and began reading right away.