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Alisha R. Bloom, Esq.

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# Econ 101 of E-book Pricing

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NECRWA CONFERENCE

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# Overview

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- ▼ What we'll cover today:
  - ❑ Econ 101 (basic economic concepts)
  - ❑ Impromptu market research
  - ❑ Psychology of price-setting
  - ❑ E-book pricing strategies
  - ❑ Wrap-up and Q&A

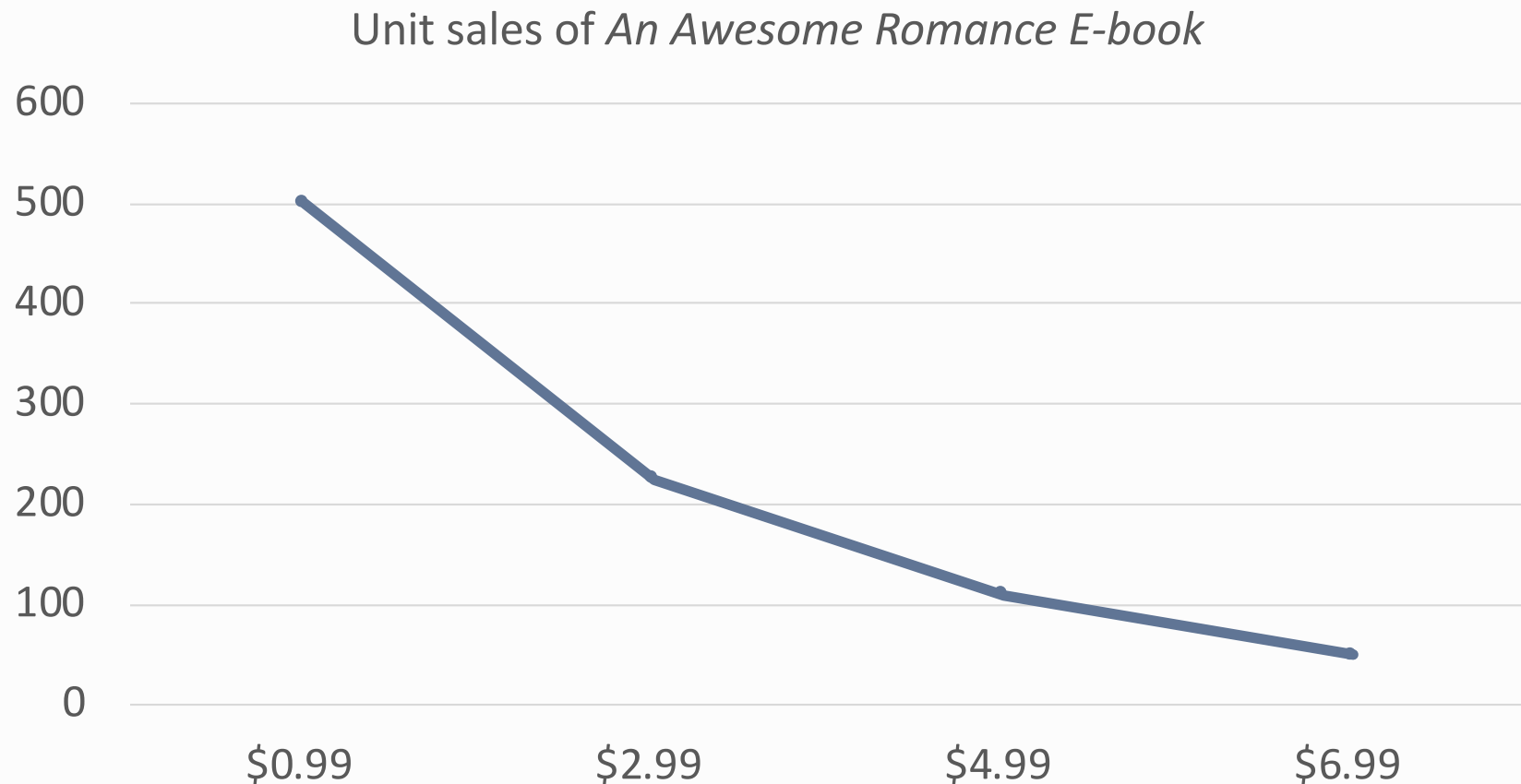
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# Econ 101

## (basic concepts)

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# 1. Downward-sloping demand curves



## 2. Value of an e-book

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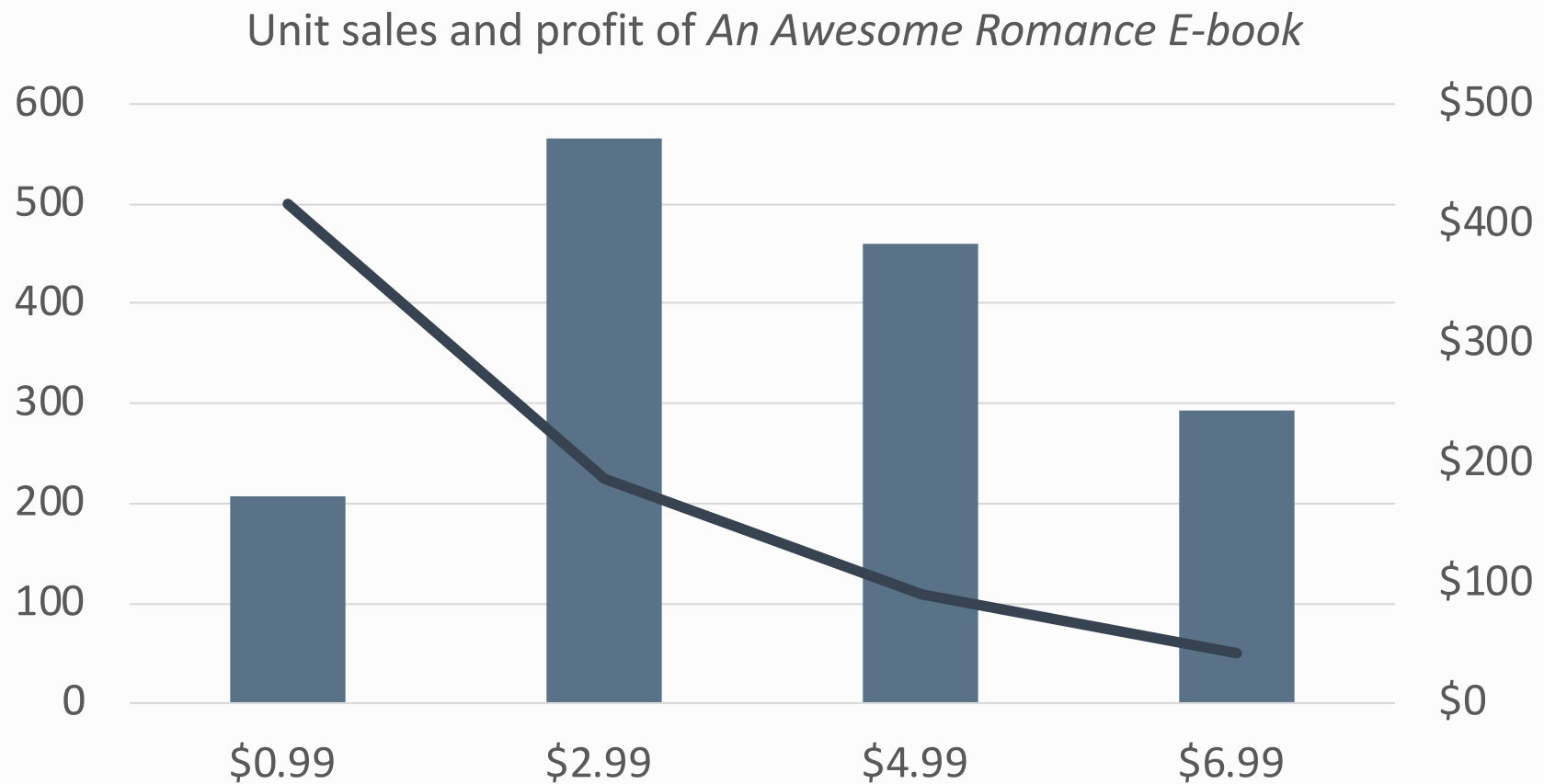
- ▼ Value is: the amount a potential reader would be willing to pay for your e-book if they had perfect information
- ▼ Value isn't:
  - ❑ What you, the author, think your book is worth
  - ❑ Based on what you paid to create your e-book
  - ❑ Based on time or effort you put into creating your e-book
  - ❑ Necessarily what a reader would be willing to pay for your e-book

# 2 cont'd. What affects value of an e-book to a reader?

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- ▼ Aspects of the book's content, like: subgenre, trope(s), heat level, length, etc.
  - ❑ Note: what you paid to create the book can impact the reading experience (eg, for editing/proofreading)
- ▼ Aspects of the individual reader, like:
  - ❑ How urgently do they want to read this book?
  - ❑ Have they read one of your books before? Did they like it?
  - ❑ Does a blogger/trusted friend like the book?
  - ❑ Do they have a limited book budget?
  - ❑ Do they have limited time to choose what books to buy?

### 3. Profit-maximizing behavior



# 4. Price elasticity of demand

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- ▼ Raise your e-book's price by \$1; how many sales would you gain?
- ▼ Lower your e-book's price by \$1; how many sales would you lose?
- ▼ *Elastic demand curve*: raise the price a little, lots of people stop buying your book
- ▼ *Inelastic demand curve*: raise the price a lot, sales go down very little
- ▼ Different books have steeper (more elastic) or flatter (less elastic) demand curves than others
- ▼ Profit maximizing price will be different for different books



# 5. Price sensitivity

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- ▼ Price sensitivity: an individual buyer's price elasticity
- ▼ Readers who'd pay pretty much anything to read your book are *price-insensitive*
- ▼ Your super-fans are more likely to be price-insensitive buyers for your books

# Market research exercise

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# Psychology of pricing

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- ▼ Tendency to think of “worth” as being based on price
  - ❑ E-book price vs. cup of coffee
  - ❑ E-book price vs. what the author put into creating it
  - ❑ E-book price based on our own preferences as readers
- ▼ Do we train readers to value e-books differently based on price?



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# Pricing Strategies!

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# But first, a disclaimer

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- ▼ *Caveat venditor*
- ▼ Your results may vary
- ▼ Everyone should use their own best judgment in setting their e-book prices
- ▼ (Also, none of this is legal advice)



# Strategy #1: High priced front list, lower priced backlist

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## ▼ Why try it:

- ☐ Can segment the market based on time of purchase
- ☐ Eager readers vs. readers willing to wait for a possible price drop
- ☐ Could offer exclusive bonus content or exclusive early access (eg, via Patreon)

## ▼ Drawbacks:

- ☐ If you don't implement carefully, loyal fans could think you are taking advantage of them
- ☐ Might lose profit if readers waiting for lower price forget

# Strategy #2: Release week discounts

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## ▼ Why try it:

- ❑ Rewards loyal fans and adds value for newsletter subscribers
- ❑ Likely to increase early sales volume, improving ranking and visibility

## ▼ Drawbacks:

- ❑ Some eager readers likely would have paid more than the discounted price, so you're losing potential profit on those readers

# Strategy #3: Temporarily discount backlist books



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*The Perfect Match* originally published 2013

*Waiting on You* originally published 2014

*In Your Dreams* originally published 2014

*Anything for You* originally published 2015

[Read less](#)



# Strategy #3: Temporarily discount backlist books

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## ▼ Why try it:

- ❑ Some buyers are deal-seekers who take advantage of promotions, delay purchase until lower prices are available
- ❑ Well-promoted temporary discounts can boost backlist books onto bestseller lists, even years after their release

## ▼ Drawbacks:

- ❑ Might lose profit on readers who would have paid more
- ❑ Might train readers to wait for discounts/pay lower prices
  - Can try to avoid by educating your readers about your pricing policies

# Strategy #4: Discounted/free first in series

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## ▼ Why try it:

- ❑ Can expose wider audience to your books, giving readers a chance to learn your book's true (informed) value
- ❑ Can be profitable across the series due to sell-through

## ▼ Drawbacks:

- ❑ Depending on price elasticity of demand and sell-through, you might lose more profit on that book than you gain from sell-through
- ❑ Wider audience includes broader swath of readers who might try your book even if it's not their usual read, leading to lower star-ratings / worse reviews

# Strategy #5: Subscription models (like Kindle Unlimited)

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## ▼ Why try it:

- ❑ Provides a way to segment the market into high-volume highly price sensitive readers, and lower-volume less price-sensitive readers
- ❑ Can rotate series in and out of KU to give different market segments the chance to read/buy that series

## ▼ Drawbacks:

- ❑ Exclusivity with Amazon
- ❑ Rotating books in and out of KU can slow velocity on other retailers

# Strategy #6: Bundles

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## ▼ Why try it:

- ❑ Represents another form of discounting
- ❑ Appeals to value-conscious readers
- ❑ Can overcome reader objections to cliffhangers
- ❑ Can increase collective value enough to qualify for higher royalty rate

## ▼ Drawbacks:

- ❑ Might lose profit if enough bundle-buyers would have bought individually at higher price
- ❑ Amazon offers lower royalty rates on books above \$9.99

# Strategy #7: Increase prices as readers' trust in your brand grows

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## ▼ Why try it:

- ☐ You've educated readers about the value of your books
- ☐ Reviews/word of mouth sell your books to new readers
- ☐ Readers are confident your book will deliver a satisfying reading experience

## ▼ Drawbacks:

- ☐ Might lose profit if you've guessed wrong about price elasticity of demand for your e-books
- ☐ Might end up with reduced profit and reduced visibility

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# Wrap-up and Q & A

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**THANK YOU!**

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