

**Subject:** Back to School next year...

**From:** "Eddy Cue" <[REDACTED]>

**Received(Date):** Fri, 15 Feb 2013 01:51:57 +0000

**To:** "Tim Cook" <[REDACTED]> "Phil Schiller" <[REDACTED]>

**Attachment:** Screen Shot 2013-02-07 at 4.56.47 PM.png

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I understand that we have tentatively decided for a discount of \$100/\$50/\$50 for Mac/iPad/iPhone. Did we think that customers would buy significantly more if we gave them a straight discount instead of an iTunes card? If this isn't a huge difference, I think we are making a mistake. We are discounting our product instead of adding value to them. Getting customers using our stores (iTunes, App and iBookstore) is one of the best things we can do to get people hooked to the ecosystem. The more people use our stores the more likely they are to buy additional Apple products and upgrade to the latest versions. Who's going to buy a Samsung phone if they have apps, movies, etc already purchased? They now need to spend hundreds more to get to where they are today.

On a related note, our apple stores (online and retail) are the only distributors around the world that decreased year over year in iTunes card sales. We are starting to make progress again with retail but it is always an uphill battle. Our teams just don't get the ecosystem. We (Val and team) just heard from Jennifer that iTunes cards are not a priority for her. This is ridiculous. Who leaves Apple products once they've bought apps, music, movies, etc!

We don't allow 3rd party retailers to market our products with iTunes cards as a discount. This is fully funded by the retailer but need our approval for newspaper ads. In the meantime, Samsung is discounting and giving crap away everywhere. An iTunes card has significant value to us and should not be viewed as a straight discount.

Samsung is now pushing Google Play cards with placement right below the phones -

We haven't been putting our cards with our product displays (at 3rd parties) since the iPod. They have to be at a different location. We should have gift cards on the tables like we do in Apple retail. We should also consider having them pegged on all end cap of hardware.

Enough ranting... here is good news... the cards today in Walmart and Targert.

Also last month's sales -

- January worldwide sales were \$308M, +57% YoY, well above forecast.

**Exhibit**  
**PX 404**

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- The story was all about Japan 333% growth year over year. Currently, Japan is selling at 80%+ the rate of the US business. Exceptional new retailers, strong channel marketing, the "Puzzles & Dragons" phenomena, and the Sony music catalog all play a part in this fantastic success.
- 65% of January gift card sales came outside the US. This is an all time high!

We plan to do \$4 billion in gift cards this year. If we unleashed ourselves, we would make it \$5 billion.

--- Eddy