



Encyclopædia Britannica, Inc. (A)

Scotland in the mid- to late eighteenth century enjoyed its own “information age,” the Scottish Enlightenment. It was an era that embraced industrialization, spawned revolutionary ideas (Adam Smith’s “invisible hand” theory of economics is one example), and transformed Edinburgh into a world-renowned cultural center. So it is not surprising that during this time, two enterprising men decided to capture and market that knowledge.

Colin Macfarquhar was a printer and Andrew Bell an engraver when they formed a partnership in 1768 to publish what they called a “Dictionary of Arts and Sciences.” William Smellie, hired to edit the vast collection, emphasized usefulness in his preface to the three volume set.

“Wherever this intention does not plainly appear,” he wrote, “neither the books nor their authors have the smallest claim to the approbation of mankind.”¹ Thus did serving society’s need to know become the mission of Encyclopædia Britannica, Inc (EBI).

The new reference guide, which took three years to complete, was offered to consumers in weekly installments. The timing was right, for the edition sold out quickly. A second edition soon followed, then a third and a fourth, each bigger and more comprehensive than the last. By 1815, when the fifth edition was published, the set had ballooned to 20 volumes. A pirated version, published in the U.S. in 1790, tapped a growing new market. Even George Washington even bought a set.

Throughout the nineteenth century and into the twentieth, when the company was purchased by Americans and moved to the U.S., EBI continued to enhance its reputation as the premier source of knowledge. The company maintained, “Our brand represents material you know is authoritative and trustworthy.”² The company recruited notable scientists and scholars, including Thomas Malthus, Sigmund Freud, and Marie Curie, to contribute. It expounded upon such cutting-edge topics as taboos, anarchism, ether, and Darwin’s theory of evolution. As demand mushroomed, it hired a permanent editorial staff and began printing—and

¹ Encyclopædia Britannica.

² Advertising Age (May 10, 1999), p. 24.

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updating—annually. In 1943 William Benton, founder of ad agency Benton and Bowles, took the helm as publisher and board chairman. He extended the company's global reach and expanded its product line, acquiring in the process Compton's Encyclopedia and dictionary publisher G. & C. Merriam.

EBI entered the digital age in 1981 when it offered an electronic version to business users of Lexis-Nexis, an information retrieval service of Mead Data Central. EBI declined to offer this version to any non-business users, specifically, "any schools, libraries, or individuals that [were] subscribers to the Mead Corp. subsidiary's retrieval services."³

In 1989 the company moved further into the electronic age when it published Compton's Encyclopedia on CD. The target audience was schools and libraries, which paid \$750 for the privilege of owning the first multimedia encyclopedia on CD-ROM.

The company boasted 2,300 sales associates in 1989. They moved door to door, talking with individuals and families, persuading them to invest in Encyclopædia Britannica's voluminous storehouse of knowledge. A key selling point was the product's upscale cachet. Many parents believed having the books in their homes would give their children an advantage in school and in life.

Exhibit 1 provides a sample telephone presentation by a salesman from the encyclopedia world during late 1960's and early 1970's. Exhibit 2 shows the corresponding home call sales presentation. Such encyclopedia presentations continued into the 1990s.

By 1990, consumers were snapping up Encyclopædia Britannica print sets at \$1,500 to \$2,000. The company's sales revenues hit a new high—\$650 million. Not only that, the 32-volume set remained the standard to which other encyclopedias around the world aspired.

During the early 1990's, the software giant Microsoft decided to enter the encyclopedia market. Microsoft licensed material from Funk & Wagnalls Encyclopedia which sold its sets in supermarkets, added some public-domain content, and released it on CD-ROM in 1993. The product, called Encarta, sold for less than \$100. Many computer manufacturers simply gave it to buyers of their computers.

Discussion Questions

1. Describe the marketing strategy and tactics of EBI as of 1990.
2. Why was EBI's business model so successful for over 200 years?

³ *Business Week* (August 31, 1981) 74E.



3. How vulnerable was this model in the early 1990's?
4. Should EBI respond to Microsoft's moves? If so, how should EBI respond? Why?

Exhibit 1

National Encyclopedia, Inc., Salesman's Telephone Presentation⁴

Hello, Mr. Prospect. This is Mr. _____ calling. I'm with the New York Office of the National Encyclopedia Publishers. I have a rather unusual reason for calling you today. You see, we're introducing our brand new edition, and we are explaining our cooperative offer to families in your area. Now, Mr. Prospect, my call is purely exploratory in nature. My company just wants me to find out if we could make it possible for you to have the new *National* in your home. Would it be of some real use and value to you? How do you feel about this, Mr. Prospect? *(If prospect shows interest, proceed.)*

Fine, Mr. Prospect. I'll be in your neighborhood this afternoon *(or this evening)* showing the set to several families. I'd certainly like to show it to you. Shall I drop in at ____? *(State a specific time that is convenient for your call.)*

Thank you, good-bye.

⁴ Kenneth R. Davis and Frederick E. Webster, Jr. (1968), "Sales force management," Ronald Press: New York. We thank Professor Webster for giving us permission to use this material.

Exhibit 2

National Encyclopedia, Inc., Home Call Sales Presentation⁵

Let me tell you briefly why I'm here and why we've contacted you at this particular time. As you know, National has just released its new edition. This is by far its finest edition.

Now, introducing our new edition to the public, the publisher has hit upon this plan to help publicize the new edition properly and efficiently. We *do* know that if we can get a number of these new sets in the homes of families who have real appreciation for the *National* that is going to get talked about, and word-of-mouth advertising, as you know, is the best kind that we can get.

Now, before I go into details about the plan, there is one question that the company requests that I ask of you, if I may.

If we made it possible for you to have a new set of National in your home, who would get the most use and value from it? (Find out about the children of the family, hobbies, and occupation of head of family.)

It seems to me, Mr. Prospect, that you could certainly make use of the National if you had it in your home. I'd like to take five minutes to tell you about the program, and I think you'll be in for a very pleasant surprise. *(Have brochure material ready at this point for demonstration.)*

Briefly, *(smile)* and very briefly, here's what's in back of the whole thing. As you know, National has always been considered a fine encyclopedia. As a matter of fact, it is considered as the standard in the world today--and for many years. Moreover, two ten-year sustaining services have been added to round out an exceptional ten-year program we're prepared to offer you today. I don't want to spend a lot of time telling you about the National. You probably know more about it than I do. *(At this point, have brochure open and start turning pages.)*

This booklet will give you a quick view of the National. As you can see, it's designed to do a pretty good selling job in itself. It contains some of the art, color, and plate work that can be found throughout the National. The National, of course, is written by the world's greatest experts and authorities in their fields. This helps insure the accuracy and authenticity of each article. *(You should, now have reached the end of the booklet. Hold it open on the last page until you have reached the line,*

⁵ Kenneth R. Davis and Frederick E. Webster, Jr. (1968), "Sales force management," Ronald Press: New York. We thank Professor Webster for giving us permission to use this material.

“authenticity of each article.” *Now drop booklet and start opening full-size representation of the set in the bookcase.*)

The set comes in twenty volumes. With this program we are featuring the blue regal binding. This, incidentally, is a full-size picture of the entire set in its own bookcase. *(Hold up picture. Then drop it on the floor in front of the prospect. Have yearbook picture ready for display.)*

National goes one step further in order to keep you up to date at all times, with the *National Annual Supplement*. This book is published every year by the publishers of *National*. It is the same size as one of the volumes and is complete with more than one-half million words and many pictures. Many of the same authorities who helped write the *National* contribute to this book. It is also directly correlated to the set itself. In effect, what it is, is an annual one-volume encyclopedia.

This price you see here *(point to price)* \$12.95 is the retail price for the yearbook.

As part of the program we shall make this book available to you, for the next ten years, at the nominal price of \$5.95 a volume. In effect, you'll be as up to date on encyclopedia material in ten years as you are today. *(Drop yearbook picture. Have research service material in your hand.)*

Here's one of the most important features of *National's* ten-year program--the *National Research Service, Mr. Prospect*. *National* has banded together a group of the finest research workers in the field to giving this service to those subscribers who do not have the time or don't have the facilities to get together their own material. *(Have research service certificate facing the prospect.)*

Upon your request *National* will provide a report for you on any subject you wish, whether it be on a hobby, occupation, sport, or game; of course, we cannot provide advice in violation of good business or professional ethics. Or, as we say, “Whether you wish to learn how to play bridge or build a bridge,” we shall provide a specific and confidential answer to your question.

We'll send along to you this *National Research Certificate* registered in your name, with fifty coupons entitling you to fifty reports over a ten-year period. It can be used by you or any member of your immediate family during this period.

This may turn out to be the most valuable part of the entire program to you. It may be worth \$5 or \$5,000 to you. We don't know; we just send them along to you, and you are permitted to make as much use of them as you like. *(At this point a sample of a report prepared for a subscriber is shown to the prospect for inspection. Usually, it is an elaborate twelve-page, single-spaced typewritten report on plastics.)*

As part of a ten-year program we also send to you other worthwhile volumes. *(Have dictionary brochure ready to be unfolded at this point.)*

You will receive National two-volume Dictionary, unabridged. This is one of the newest dictionaries available. We shall also send to you the *National Unabridged Atlas*. This is the most complete atlas of its kind ever published. Here is an example of what you will find in it. (*Turn over several pages in the atlas brochure. Have home study course brochure read to be shown.*) Here's another interesting part of the ten-year program— the National home Study Guides.

National has prepared home study guides for twenty studies of cultural and educational interest. These guides tell you, quickly and accurately, where you can find information on the particular subject that interests you and the order in which to read the material. If you are interested in more detailed information beyond that found in the National, the guide will tell you quickly where such information can be found.

We'll send five of these home reading guides to you immediately. Eventually we shall make all twenty available to you at no charge, but that will depend on your cooperation with us. I'll tell you more about that in a few minutes.

To round out the program, we are including a modern bookcase that holds twenty-volume set of the National and the Atlas. (*Obtain an unqualified affirmative reply to each question before proceeding to next question.*)

Well, Mr. Prospect, I've been talking for a long time. Let me ask you this: Do you think national has left anything out in preparing this educational program for you? (*Answer should invariably be "No."*)

Do you think this program can do the job, educationally and culturally, that you want done from now on in your home? (*Obtain an unqualified affirmative reply before proceeding beyond this point.*)

Now, Mr. Prospect, I'm going to ask you a leading question: If we could place a set of the new *National* in your home without putting any strain on your budget whatsoever, can we count on your cooperation now? (*As you say this last line, "count on your cooperation now," place subscriber's card in front of prospect.*)

(*You must receive an affirmative reply to this question before proceeding further. The reply need only be oral. At this point keep your mouth shut and wait! When prospect has answered affirmatively, you are to continue with presentation. Allow no interruptions until you are finished with price presentation.*)

(Prospect has now said, "Yes.") Fine! I'm going to show you two sets of prices. (*Have price brochure ready.*)

This set of prices are available to you at any time and entails no cooperation on your part. You don't need me to obtain the set at these prices. However, I am showing

them to you for comparison purposes. They have nothing to do with the offer I am prepared to make to you today. (*Spread price brochure out in front of prospect.*)

The twenty-volume set of the *National Encyclopedia* regularly sells for \$450. The two-volume *Unabridged Dictionary* sells for \$35. The atlas sells for \$30. The National Research Service is *not* for sale at any price; it only comes with a ten-year program. This is also true of home study guides. Finally, the modern compact bookcase sells for \$32—or for a total of \$547 of National merchandise. These are our list prices on a non-cooperative basis—where you do not wish to give us the names of other persons we can contact using your name as a reference.

Let me show you more briefly what you're to receive. (*At this point you are to recapitulate all the prices and write them down on paper for the prospect to see.*)

Now, going over to our cooperative plan, we send this whole program along to you immediately and pass on to you what we know is the lowest possible price, an average of only \$41.50 (*do not say dollars*) a year over a ten year period, can we count on your cooperation now? (*Wait for questions.*)

(*The questions asked will, probably, be similar to the following.*)

QUESTION: You mean that I have to pay \$41.50 each year for ten years?

Well, naturally we wouldn't expect you to pay for the set for ten years, just as we certainly aren't going to send you two volumes each year for the next ten years. We feel that since this program lasts for ten years, it's the only logical way of thinking about it. Now don't you think this program is worth just \$41.50 a year for ten years to you and your family? (*When you have obtained an acceptance of value, continue. Do not continue before you have received this acceptance.*)

QUESTION: How much is that again?

Well, we'll pass the whole program along to you for an average of only \$41.50 a year for the next ten years. But the first question you must answer for yourself is this: Is this program worth \$41.50 a year, just for the next ten years, to have permanently in your home? (*Obtain acceptance of value. Once you have obtained an acceptance of value from the prospect, proceed to the close of the presentation.*)

Here are the several plans that are very popular with most subscribers. (*Put sheet in front of prospect. If prospect looks undecided, suggest a plan for him. Proceed to fill out order blank.*)

I think this plan will probably suit you best. When would you prefer delivery?
—Fine, I'll just finish making out this order blank. (*When prospect has signed order blank, congratulate him on becoming a National owner. Then proceed to next sale!*)
