



Encyclopædia Britannica (C)

Upon buying EBI, Jacob Safra soon disbanded the company's door-to-door sales force¹ and its in-home presentations; tried marketing CDs through direct mail; and slashed the online subscription fee, first to \$150 per year then to \$85 a year. Only 11,000 subscribers signed on.

In May 1997 the company announced it would drop the suggested retail price of Britannica CD 97 to \$150 and offer CD purchasers an online subscription for an additional \$50. In a company press release, CEO Don Yannias said, "The equation is simple. When people use EB products, they like them. At \$150, more people buy them."² The following year, EBI unveiled Britannica CD 98 Standard Edition. The price? Eighty-five dollars at retail stores.

In spring 1999, EBI proclaimed to the world that it would launch a new Internet service at www.britannica.com. EBI executives considered the following five pricing models on the Internet.

- Subscription based pricing: Charge an annual fee for unlimited access.
- Metered pricing: Charge based on time spent using the Enclopedia.
- Fee for services: Charge for any research or special reports requested.
- Product line pricing: Base product is free but charge subscription fee for the advanced product(s).
- Bundle pricing: Offer a lower price when multiple items are bundled together.

Upon evaluating various options, EBI provided access to the entire text and graphics of Encyclopædia Britannica absolutely free of charge. The site also offered a selective search engine targeting high-quality web sites.

"We're reinventing our business model. The whole future of the company is based on how we do in the electronic space. This is going to be our lead product," observed one senior vice president, "a product that combines the Internet guide with

¹ Jerry Useem, *Fortune* (November 22, 1999), 344.

² Encyclopædia Britannica.

This case was written by Professor Vijay Govindarajan and Professor Praveen Kopallé of the Tuck School of Business at Dartmouth College. The case was based on research sponsored by the William F. Ahtmeyer Center for Global Leadership. It was written for class discussion and not to illustrate effective or ineffective management practices.

the encyclopedia. We are not in the book business. We're in the information business."³

The company planned to earn revenues from advertising, including sponsorships for topical features called "Spotlights," and a percentage of goods sold through e-commerce. The new strategy required hiring an advertising sales force, the first in the company's history. In 1999, its total work force, including the advertising sales force, was about 350.⁴

The site was launched with considerable fanfare in late October 1999. Six days later it crashed. More than ten million people tried to access the site. Only 100,000 got through. After this online debacle, EBI installed high-speed web servers and concentrated on growing its electronic strategy. Unlike EBI's subscription service, which tapped the 231-year old archives and was marketed primarily to schools and libraries, the new Web site targeted Internet users more broadly, and included links to more than 150,000 approved Web sites. EBI also began negotiations with partners to furnish information and services to the site – such potential partners included Amazon.com and bn.com.

EBI's spokesperson commented, "The kind of partners we'll choose to be a part of that site will have to have the same brand qualities. We'll try to cut through the clutter of the Web, give you information you can depend on, and not force you to become an expert on how to search the Web. Britannica's site won't be elitist but won't be for everybody. We're looking for people with a certain kind of intellectual curiosity."⁵

Some analysts questioned whether EBI had waited too long to join the Internet action. They commented, "they are copying things that have been done by countless other companies. If they'd been first movers, they'd have had the ability to create a market. Now, they're very late in the game."⁶

Advertising fees on Britannica.com generated additional revenues for the company, as did sales from Britannica Store, the online outlet for EBI's products and tie-ins. These included CDs, DVDs, reference books, clothing, and a variety of science and nature products "chosen for their educational and entertainment value."⁷

By mid-2000 the company, renamed Britannica.com Inc., was transforming into an e-commerce company. Its website continued to promote the tradition of "provid[ing] reliable knowledge on every topic imaginable—from the origins of the universe to current events and everything in between." But the vision now reflected its new

³ Jeff Borden, *Advertising Age* (May 10, 1999), p.24.

⁴ "Britannica drowns online," *American Libraries* (December 1999), p.25.

⁵ *Advertising Age* (May 10, 1999), p.24.

⁶ *Advertising Age* (May 10, 1999), p.24.

⁷ Britannica.com website.

marketplace: “to become the most trusted source of information, knowledge, and learning in digital media.” Their digital media products were aimed at satisfying a vast range of information needs, from academic and professional research to everyday answers.

The company’s products included: (1) Britannica CD and Britannica DVD - comprehensive disc-based encyclopedias in the English language, (2) Encyclopædia Britannica in print (for \$1,250) - CD and yearbook included at no charge, (3) Britannica.com - a free search and directory service that included the complete, updated Encyclopædia Britannica, combined with selected Web sites, magazines, and book citations, and (4) Encyclopædia Britannica Online (www.eb.com), an on-line subscription service at a price of \$85.00 per year - a reference site for students, educators, and parents synthesizing editorially reviewed Web sites and the Encyclopædia Britannica.

Although the full text of the Encyclopædia Britannica had been made available free of charge on the Internet, the company claimed there were still many advantages to being their online subscriber that included special in-depth features in 15 subject “channels,” ranging from the arts, business, and education to science, sports, technology, and travel (all delivered with Encyclopædia Britannica's lively and authoritative voice).

It also offered “integrated searching.” Each search returned relevant information from all sources in a single presentation, including the Encyclopædia Britannica database. This made it easy for people to find what they needed. The other benefits to the subscribers include the ability to print out information more quickly, a special encyclopedia for K–12 students, personal workspace, and no advertising.

EBI planned to tap two additional revenue streams: a percentage of goods sold through e-commerce, such as books on a subject highlighted on the site, and sponsorships offered for special displays, such as a salute to women in history.

Discussion Questions

1. Evaluate EBI’s Internet marketing strategy and tactics.
2. Are there lessons from the EBI saga (see Exhibit 1) that are relevant to brick and mortar companies?

Exhibit 1

EBI Timeline

1768	Founded.
1943	Acquired Compton's and Merriam.
1981	Offered electronic version of Encyclopædia Britannica, to business users only.
1989	Published Compton's Encyclopedia on CD-ROM for \$750 for schools and libraries.
1989	Sales force reached 2300 associates.
1990	Sales reached all-time high of \$650 million. 32 volume set sold for \$1500 to \$2000.
1993	Encarta released by Microsoft on CD-ROM.
1993	Two-workstation, three-year license for a CD-ROM version of Encyclopædia Britannica offered to businesses for \$2100 per year.
1994	CD-ROM version of Encyclopædia Britannica offered free to consumers who purchase a full printed set. CD-ROM version offered as standalone product for \$995.
1994	Online version offered to students and libraries for \$2000 per year
1995	CD-ROM version offered for \$200
1996	Sales fall to half of their 1990 levels. EBI acquired by Swiss businessman Jacob Safra.
1996	Sales force disbanded. Online subscriptions offered for \$150 per year, then \$85.
1997	CD-ROM version offered for \$150. Online subscription offered to purchasers of the CD-ROM version for an additional \$50.
1998	CD-ROM version offered for \$85.
1999	Website launched at www.britannica.com . Entire text of Encyclopædia Britannica included on website for free. Website also included a search engine for high-quality websites only. Subscription service retained as a premium service
2000	Company renamed Brittanica.com, Inc.