

SHANE GREENSTEIN AND MICHELLE DEVEREUX

The Crisis at Encyclopædia Britannica

All men by nature desire to know.

—Aristotle

Joseph J. Esposito, CEO of Encyclopædia Britannica, looked out over Lake Michigan and shook his head. After eighteen months of trying to sell his declining enterprise, in 1996 he had finally found a buyer in Swiss financier Jacob Safra. The price was nowhere near what Esposito had hoped for, but \$135 million would have to do at this point in hopes that someone could keep this organization alive for another day. The disappointment in Esposito's face was clear; what had once been the most venerable and respected product in the industry had become obsolete.

How could a leading firm have fallen so far so quickly? In 1990 revenues had reached record levels, but six short years later the company had declared bankruptcy (see **Exhibit 1**). Esposito had done everything he could think of to prevent this, yet the questions running through his mind were endless: Had encyclopedia buyers changed? Did customers not care anymore about quality information? Was today's Britannica organization flawed in ways that yesterday's had not been? Had Britannica neglected to defend against an aggressive competitor? Was there a crisis in the market that he had ignored? The decline of Encyclopædia Britannica was difficult to comprehend.

The Encyclopedia Industry

The print encyclopedia was a comprehensive knowledge source that generally included multiple entries and/or volumes of entries that were organized alphabetically by topic. Encyclopedias could be general reference sources (the word *encyclopedia* itself comes from Greek, meaning "a general education") or specialize in a particular subject. Encyclopedias were much more in-depth information sources than other general reference books, such as thesauruses or dictionaries, which generally provided limited, definition-focused knowledge on a variety of topics.

The modern encyclopedia had its origins in a book published in 1728 under the name *Chamber's Cyclopædia*. However, the most common form of encyclopedia, the multivolume, all-inclusive reference source, gained mass popularity in the 1920s—continuing to grow into the 1950s and 1960s—primarily in the United States. Text-heavy, with a focus on information delivery, encyclopedias were sold until the late 1990s in multiple-volume book editions, primarily through a direct sales force of company representatives that went door to door. Popular encyclopedias included *World Book*, *Encyclopædia Britannica*, *Encyclopedia Americana*, *Collier's*, and *Funk and Wagnall's*.

In the 1980s encyclopedias commanded a price point of \$500–\$2,000 versus \$5–\$75 for a dictionary and \$5–\$40 for an almanac. According to a 1989 internal strategy memo at Microsoft, “No other broad-appeal content product in any category in any medium has a well-established single-user price point anywhere close to this.”¹

Encyclopædia Britannica

Though not the first encyclopedia ever produced, *Encyclopædia Britannica* was among the earliest, and ultimately the most famous, encyclopedia available in the English-speaking world.² The first edition was published in three volumes and distributed in weekly installments from 1768 to 1771 in Scotland. It was first brought to the United States in 1790. George Washington, Thomas Jefferson, and Alexander Hamilton all were said to have owned an *Encyclopædia Britannica*. Over time, the company built a reputation that commanded respect. *Encyclopædia Britannica* contributors spanned the brightest thinkers of the time, and scores of Nobel laureates contributed to various editions.³

Britannica came under American ownership in 1901. In 1911 it published what many consider to be the best encyclopedia ever written, the eleventh edition, consisting of twenty-nine volumes and 40,000 entries. The eleventh edition was revolutionary in that its contents focused on writing for a general audience, so its writings were much more all-inclusive and thorough than any preceding encyclopedia. Britannica moved its headquarters to Chicago, Illinois, in the 1930s, and in 1974 came under full ownership of the William Benton Foundation, whose sole beneficiary was the University of Chicago. Until the late 1980s Britannica clearly differentiated itself from the rest of the market as a luxury brand with an impeccable pedigree, an excellent reputation, and a history of trustworthiness. It was generally known as an “august repository of serious information,”⁴ the world’s most comprehensive and authoritative encyclopedia.⁵

Production

The encyclopedia business was a highly profitable one for Britannica. Production costs averaged about \$250 per set of books.⁶ Britannica had done a great deal of early research to fill out the books’ contents, and while extensive revisions were frequently made, the sunk costs of establishing the prestigious Britannica name were far removed from management’s mind by the late twentieth century.

Experts in every field imaginable jumped at the chance to write for Britannica. “They hired the best brains out there and were paying them a pittance to contribute. These people wanted Britannica on their resume so they didn’t care,” said Suzy Deline, a former employee at

¹ Randall E. Stross, *The Microsoft Way* (Reading, MA: Addison-Wesley Publishing Company, 1996), 84.

² Philip Evans and Thomas S. Wurster, *Blown to Bits: How the New Economics of Information Transforms Strategy* (Boston: Harvard Business School Press, 2000), 1.

³ Encyclopædia Britannica Corporate, “Company History,” http://corporate.britannica.com/company_info.html.

⁴ Richard A. Melcher, “Dusting Off the Britannica,” *BusinessWeek*, October 20, 1997.

⁵ Evans and Wurster, *Blown to Bits*, 1.

⁶ *Ibid.*, 2.

Encyclopædia Britannica Educational Corporation.⁷ It was a win-win situation: Britannica obtained world-class contributions at an extremely low cost, and contributors were able to bolster authority in their fields with their Britannica experience.

Customers

Britannica believed that its customers valued authoritative information above all else. Britannica books were far more dense, sober, and complete repositories of detailed reference material than those produced by World Book or Grolier's. While they lacked the ease of use and readability of competitors' editions, Britannica never tried to appeal to an audience unwilling to put in the time needed to pour over its pages. Instead, it looked to appeal to a customer who would pay to provide his or her family with the best information possible, even at a high cost. Britannica believed its customers valued the implied authority of the Britannica name above that of its younger, less prestigious competitors. Britannica also believed that customers valued the privacy and convenience of having a knowledgeable encyclopedia representative come to their homes to explain how Britannica could contribute to their childrens' education.

Sales Force

Most competing encyclopedias were also sold and distributed door to door, but Britannica's goal was to be better at sales and distribution than other firms. These were not "cold call" sales; all sales calls were generated by leads. Britannica hired the right people, trained them well, and made sure its model was more reliable than its competition.

Building the sales force into an extraordinarily effective organization began in 1932. Executive Elkan Harrison Powell⁸ helped build one of the most aggressive and successful direct sales forces in the world.⁹ Britannica's approximately 2,000 sales representatives were trained to pitch the *Encyclopædia* door to door, for which they were paid a commission of \$500–\$600 per sale.¹⁰

The sales force was composed of those who believed in the product's virtues and valued its attributes, so there was never anything insincere about the sales pitch. Sales representatives believed they were helping the customer by selling the best available product in its class, even if families that purchased the books ended up rarely, if ever, consulting them.¹¹ In fact, Britannica's own market research showed that the typical encyclopedia owner opened his or her volumes less than once a year.¹²

⁷ In phone conversation with the author, July 12, 2006.

⁸ Steve Barth, "Britannica on the Virtual Bookshelf," *Knowledge Management Magazine*, <http://www.kmmagazine.com> (accessed July 5, 2006).

⁹ Evans and Wurster, *Blown to Bits*, 2.

¹⁰ *Ibid.*, 2.

¹¹ Stross, *The Microsoft Way*, 79.

¹² Evans and Wurster, *Blown to Bits*, 4.

In practice, Britannica primarily marketed the *Encyclopædia* to middle-income parents characterized as overridden with anxieties over their children's academic performance. Sales reps capitalized on the aspirations parents had for their children, relieving their parental guilt by convincing them that they were "doing enough" for their offspring's education. Tied to the robust intellectual content of the *Encyclopædia*, this value proposition was one that brought sales reps rich returns.

The sales force had a dominant role within the Britannica organization. Most, if not all, Britannica executives and key decision makers had sold the *Encyclopædia* door to door themselves and moved up through the ranks from there. The company had been built by "a culture of salesmen, not scholars."¹³ This culture, however, was about to be threatened by imminent innovations in knowledge dissemination.

The Microsoft Offer

Boyhood friends Bill Gates and Paul Allen had founded Microsoft in 1975 and by 1985 Gates and college friend Steve Ballmer were running a company that had grown into an ambitious entrepreneurial upstart with \$140 million in revenue. Though Microsoft pursued a portfolio of products for a variety of computing platforms, in 1985 its fortunes lay primarily in its relationship with one client, IBM. Microsoft's primary business was writing the operating systems for IBM personal computers. Microsoft spent heavily on research and development—12 percent of sales in 1985—and by that time was eager to diversify its businesses, innovate, and invest in new projects.

That summer, just after Microsoft announced the development and release of Windows 1.0, Bill Gates told his team that a CD-ROM encyclopedia would be a "high-price, high-demand" type of product, likening it to the highly successful Word product, which was a strong application for the Apple personal computer, the chief competitor of the IBM PC.¹⁴ Microsoft executive Min Lee was told to find a suitable partner to work with, and Lee approached Britannica to suggest a partnership on a multimedia CD-ROM version of the esteemed encyclopedia, offering to pay a royalty for nonexclusive rights to use the encyclopedia's contents.¹⁵ Britannica immediately refused Lee's overture. Larry Grinnell, Britannica's director of public relations, said, "The *Encyclopædia Britannica* has no plans to be on a home computer. And since the market is so small, only 4 or 5 percent of households have computers, we would not want to hurt our traditional way of selling."¹⁶

There were multiple reasons for Britannica to reject a partnership with Microsoft, but first and foremost was the effect on its "traditional way of selling." Britannica feared the reaction of its most valuable asset, its salespeople. It reasoned that if its sales force learned that the company was going to market a new encyclopedia product in a different form, they would desert immediately, resulting in sharply falling sales for Britannica.¹⁷ "The company was driven by the sales organization, and the notion of selling just the information without the books at a cheaper

¹³ Barth, "Britannica on the Virtual Bookshelf."

¹⁴ Stross, *The Microsoft Way*, 83.

¹⁵ *Ibid.*, 80.

¹⁶ Dorothy Aughter, "The Evolution of Encyclopædia Britannica," *Reference Services Review* 27, no. 3: 297.

¹⁷ Stross, *The Microsoft Way*, 80.

price was abhorrent to them,” according to a Britannica former vice president for research and development.¹⁸

Britannica executives also suspected that sales of a less expensive CD-ROM version of its contents would not come close to the current premium that Britannica commanded with the print version, and would both cannibalize revenue and reduce the company’s strong profit margins. They viewed a multimedia CD-ROM encyclopedia as a mere child’s toy, something just one step above a video game.¹⁹ Such a product would not fit with Britannica’s serious, intellectual image. Worse yet, it might even destroy it.

Moreover, Britannica had no reason to take a risk with a young, unproven company like Microsoft, or to fear competition from it. After all, Britannica effectively controlled the encyclopedia market, charged the highest price premium among encyclopedia publishers, and had strong and stable profits. The Britannica corporate culture was thriving and the *Encyclopædia* delivered strong returns. In fact, one former employee noted that “anyone who messed with the goose that laid the golden egg would have been shot.” Partnering with Microsoft could mean eventually risking the demise of this strong business model, a thought that was repugnant to the Britannica executive team.

Finally, Britannica executives expected that a multimedia reference source would require years to gain popularity, and the home PC was far from a household staple in 1985. With such an uncertain forecast, why should Britannica strike a deal with Microsoft? Customers would always value the prestige of displaying an *Encyclopædia Britannica* in their home. As sales continued to grow in the 1980s, there was little to indicate any of this reasoning was invalid.

Alternative Formats for Encyclopedias

Despite their decision, concerns about alternative formats for encyclopedias were never far from the minds of top management. Customers frequently asked about it in the 1980s. From 1983 onwards the Britannica sales promotion department made a set of “talking points” available to the field salespeople if a potential customer indicated they would wait for an electronic version and, thus, delay purchasing books at that moment.²⁰ A few years after Lee’s overture, Britannica executives started building a multimedia encyclopedia and eventually launched the first multimedia CD-ROM encyclopedia. To avoid taking risks with *Encyclopædia Britannica*, the management chose to issue the CD-ROM under the Compton name. This brand was owned by the Britannica organization, but was less expensive and less prestigious. Britannica demonstrated the “NewMedia” version of *Compton’s Encyclopedia* in April 1989, with graphics and sound bytes from famous narrators like Patrick Stewart (at that time known for his role as Captain Jean-Luc Picard on *Star Trek: The Next Generation*). It was not the first electronic encyclopedia ever—Grolier’s had issued a DOS compatible text-only version of its encyclopedia in 1985. However, it was first multimedia encyclopedia on CD-ROM. In a year-end wrap-up, *BusinessWeek* dubbed

¹⁸ Barth, “Britannica on the Virtual Bookshelf.”

¹⁹ Evans and Wurster, *Blown to Bits*, 2.

²⁰ Robert McHenry, “The Building of Britannica Online,” <http://www.howtoknow.com/BOL1.html> (accessed July 26, 2006). See the sidebar at <http://www.howtoknow.com/sidebar1.html>.

the Compton Multi-Media Encyclopedia one of the top ten new products of the year. A DOS and MAC version became available in 1991.²¹

Britannica gave the disk away to purchasers of a print *Encyclopædia*, but standalone buyers paid a hefty \$895.²² The pricing decision followed the general strategy for the CD-ROM: management and the sales force viewed the disk as a “sales closer,” not an investment into a new medium. But the sales force had difficulty with the disk: “I conducted over a year of training with the sales force and taught them step by step how to use the demo on it; they didn’t know how to operate the computers in the potential buyers’ homes,” said Deline.²³

As it turned out, this experiment did not go well. At the price point offered to standalone buyers, the CD-ROM by itself was feasible only for the high end of the market. Yet Compton’s did not have the reputation to appeal to the high end of the market, and customers did not view the disk as a valuable freebie. Compton’s did not have the reputation for providing the breadth and depth of information that its more expensive counterpart did. Moreover, the CD-ROM proved costlier to develop and execute than the core product. “When you’re working in a new medium, you can’t expect to get things produced cheaply. Britannica was not prepared for that,” said Deline.²⁴

After a few years Britannica decided not to make a long-term investment in the CD-ROM, selling the NewMedia unit to the *Chicago Tribune* for \$57 million in 1993.²⁵

At roughly the same time as these events, Britannica’s management engaged in a series of experiments with electronic versions of the Britannica text for popular sale. These initiatives were cumbersome because the text was so large, challenging the capacity of most personal computers in the early 1990s.²⁶ In addition, there were many problems related to finding the right search technology, as well as the appropriate structure for the text, photographs, and graphics. Many technical issues had never before been addressed, and certainly not at this scale. As recounted by retired editor-in-chief, Robert McHenry, about the 1993–1994 efforts, “*Britannica* text included a great many ‘special characters,’ including letter forms and diacritics used in non-English words (often proper names), mathematical symbols, and scientific notation. Translating raw *Britannica* text into ASCII or into the larger—but still limited—character sets used in Windows and other platforms was difficult and error-prone, and the results were judged unsatisfactory by the Britannica editors.”²⁷

In April 1993 the Advanced Technology Group was formally organized, providing structure for informal initiatives that had been going on for some time within the Compton group. It included personnel who were veterans of the Compton group as well as others, and shared space in Compton’s Carlsbad, California, office. It moved to La Jolla, California, near the University of California at San Diego, in August 1993. Through the initiatives of this group, eb.com was registered on April 13, 1993. The group enjoyed considerable freedom in its endeavors for the next year, due mainly to its physical distance from Chicago and senior management’s immediate

²¹ Ibid.

²² Stross, *The Microsoft Way*, 86.

²³ In phone conversation with the author, July 12, 2006.

²⁴ Ibid.

²⁵ Auchter, “Evolution of Encyclopædia Britannica.”

²⁶ McHenry, “The Building of Britannica Online.”

²⁷ Ibid.

and pressing interest in direct sales. It received excited feedback from its own staff, the Chicago technical staff, and the editors.²⁸

For some time the members of this group debated a variety of potential ways to make *Britannica* available in a networking format. There were a daunting set of technical choices related to hardware and software. The turning point for this debate came when an employee of this group, John Dimm, saw a pre-alpha version of the NCSA Mosaic browser in June 1993 at a bookseller's convention in Miami. By September Mosaic was formally released. By December the Advanced Technology Group had the whole article database up and running in HTML (viewable at www.eb.com/eb.htm).

In January 1994 Britannica Online was demonstrated in the Chicago office and at a computer science class at UC San Diego. On February 8, John Markoff published an article on the *New York Times* business section front page entitled "Britannica's 44 Million Words Are Going On Line." This article generated many hits to the Web site and numerous leads for beta testers. More development work continued, refining the search and display capabilities of the site. On September 1994, Britannica Online 1.0 was formally released.

Encarta

Microsoft never considered developing its own encyclopedia content. Finding the high quality of contributors and editors it needed to be successful would have been far too expensive and taken far too long. Furthermore, Microsoft did not have connections in the highly guarded reference industry. After Britannica turned it down, it approached other firms. After being rebuffed by the second-largest producer, World Book, Microsoft worked its way down the ranks of the encyclopedia world. Encyclopedia publishers were not persuaded by pitches that the product would be a "valuable addition to [buyers'] regular encyclopedia and not a replacement for it . . . [and that] 50 percent of purchasers of a new computer would buy a CD-ROM encyclopedia."²⁹

Finally, Microsoft settled on a deal in 1989 with the nearly defunct Funk & Wagnall's, a brand that had survived as a "periodic promotional item in the aisles of supermarkets."³⁰ Microsoft even negotiated to rewrite the encyclopedia text if necessary.³¹

Signing with Funk & Wagnall's had not been part of the original plan. Now that Microsoft had, however, several challenges faced Min Lee's development group. It decided to drop the Funk & Wagnall's name, given its poor brand cache, and name the new multimedia encyclopedia Encarta. It also decided that there was not enough value in the text to simply reformat it on a CD and resell it. Something had to be added or changed.

Encarta was a pet project for Gates. Lee knew the project would be high risk for Microsoft, and did not invest a great deal of resources in it—in fact, until October 1991 Encarta's staff

²⁸ Ibid.

²⁹ Stross, *The Microsoft Way*, 83.

³⁰ Evans and Wurster, *Blown to Bits*, 2.

³¹ Stross, *The Microsoft Way*, 81.

consisted of four and a half full-time positions.³² In contrast, Windows 3.0 had hundreds of full-time employees dedicated to it.

Lee, Gates, and the Encarta team decided to distinguish the product from the traditional encyclopedias currently on the market.³³ They aimed to stress its core competency—multimedia software presentation—above all else. This emphasis was making virtue of necessity. With the Funk & Wagnall's deal and Microsoft's competencies in software development, Microsoft could not build its encyclopedia on the highest-quality content; instead, it invested in choice graphics and sound to bring value to its product.

To create an attractive reference source, Microsoft formatted Funk & Wagnall's text into a CD-ROM that was designed for ease of use and included search capability, functionality for hyperlinks across articles, and embedded (though gritty) video, voice, and graphics. From the outset there were many technical and marketing questions about the best features to include in the ultimate design. The team produced several test versions before finally settling on one Microsoft would distribute.

Encarta was finally ready for release by Microsoft in 1993. Now the firm needed a marketing plan.

By that time Microsoft was no longer the small upstart it had been in 1985. Personal computers were in more than 20 percent of U.S. households and all forecasters predicted more use in more households over the next few years. Windows 3.0 had been a great commercial success, fueling a major shift in the types of applications made for computers based on the IBM PC architecture. Moreover, Microsoft had engineered a successful bundling of several applications—word processing, spreadsheet, database, and presentation software in Office Suite—that worked well with Windows. It was now the largest applications provider for the IBM PC architecture as well as for the Apple architecture.

Microsoft's market position had changed as IBM lost commercial leadership. Together with Intel, Microsoft reorganized the entire value chain for PC production and sales. It had a dominant role in the sales channel and devised a marketing plan for Encarta to take advantage of that role.

Microsoft planned to give Encarta away as a free add-in to its Windows suite with the purchase of a new computer, with the idea of making money on Encarta through upgraded versions over time. Giving it away would also create publicity for the experiment and allow the firm to control expectations. After all, if customers did not pay anything for the product, they would not be offended by its errors. This would permit the firm to learn from its mistakes and receive customer feedback. Customers who did not wish to purchase a computer could buy Encarta as a separate CD-ROM for about \$100.³⁴

The market reception was much better than Lee, Gates, and the Encarta team had expected. Reviewers were "wowed." Users noticed the songs, movies, and bright pictures. The linking of passages also received kudos. These were presented in plain and easy-to-use formats. The use of text from Funk and Wagnall's never seemed to bother anyone. The customer message could not

³² *Ibid.*, 86.

³³ *Ibid.*, 81.

³⁴ Barth, "Britannica on the Virtual Bookshelf."

have been more clear: further upgrades would invest as much as possible in the nontextual parts of Encarta. Those features appealed to users and sold the product.

Looking Back with Questions

Esposito reviewed the timeline of past events (see **Exhibit 2**) and wondered what he could have done differently to prevent Encarta from sweeping away Britannica's business.

Britannica's sales had peaked in 1990, but growth had flattened during the recession of 1991 and 1992. Encarta had apparently turned that flattening into a dive. The entire *Encyclopædia Britannica* could not fit on one CD-ROM, but a moderately modified set of entries could.³⁵ In 1994, as sales at Britannica continued to plummet, executives finally decided to release a CD-ROM version of the *Encyclopædia Britannica*. However, its sales force balked. Even with a high price premium over Encarta, the CD-ROM version could not possibly generate the sales commission levels that the print version could.³⁶ What was the point of releasing a product the sales force would not sell enthusiastically? The sales force was the biggest advantage the *Encyclopædia Britannica* had over others.

The sales force also raised a number of reasonable questions. How could Encarta compete with the *Encyclopædia Britannica*? It used text from *Funk and Wagnall's*, which everyone in the industry knew was much lower in quality. Many doubted that Encarta had anything to do with the decline in sales. Did Britannica lose out to Encarta, or did it lose out to the PC? With the explosive growth in home computer penetration in the 1990s, was it possible that Britannica's customers had replaced their encyclopedias with computers to educate their children? If that was the case, what could one CD-ROM product do?

Britannica executives debated what to do. They decided to gain the full cooperation of their sales force by releasing the *Encyclopædia Britannica* CD-ROM as a free add-on to the print version. If potential buyers wanted the CD-ROM on its own, they could purchase it for a mere \$1,200.³⁷

After a short trial, it was clear that this plan would not gain any market traction. Soon enough the executives had to reconsider. Britannica dropped the price of the CD-ROM to \$995 in 1995 and to \$200 in 1996. By then, however, it was too late: Encarta had already secured a dominant position in the multimedia encyclopedia market.

Britannica Online had not helped to stem the adverse tide. Initially it was aimed at institutions who were previous Britannica subscribers, such as libraries and universities. The release in September 1994, was an immediate success, and even generated more sales from previous non-subscribers at universities who heard about the service. However, the total revenues from sales to institutions had never been large in comparison to home sales, and success within this market did not approach compensating for the decline in book sales. In fall 1995 Britannica Online was made available to individual subscribers as well, but the outcome never matched the company's hopes. Its availability did not alter the slide in sales.

³⁵ Evans and Wurster, *Blown to Bits*, 2.

³⁶ *Ibid.*, 3.

³⁷ Melcher, "Dusting Off the Britannica."

Almost from its formal founding the team at the Advanced Technology Group made ambitious plans for greater technical achievements. After its success in fall 1994, the group sketched an ambitious plan for evolving the on-line site. These involved advances to the search capability, the organization of information, and the updating of articles in response to news events, among many other technical and functional advances. Most of these were not realized in part due to Britannica's growing financial difficulties and in part due to the absence of any overall company strategy as it faced an increasing financial crisis. When a strategy finally did emerge much later, it lay in a different direction than those devised by the Advanced Technology Group.³⁸

Even as Britannica's troubles multiplied, it gave nobody joy to realize that Microsoft never was able to make much money on Encarta. The Internet and its abundance of free information soon made Encarta obsolete: in 1995 Microsoft introduced technology in a hybrid version of Encarta that allowed users to update the encyclopedia's contents monthly by downloading content through the Internet.³⁹ Eventually the whole product went online. Moreover, the product line never became a large revenue generator, despite generating a significant volume of Internet traffic.

Esposito was left only with questions. Was something fundamentally wrong with the organization he managed? Though it had experimented with the CD-ROM for *Compton's*, did Britannica lack the skills to produce a competitive CD-ROM product? Had it been vulnerable to a change in demand conditions that it had not foreseen? Should management have looked to a different sales model for the *Encyclopædia*? Had it experimented too early with *Compton's Encyclopedia* in 1989 or waited too long to bring out the CD-ROM of the *Encyclopædia Britannica*? Had they waited too long to invest in the networking technologies that evolved into Britannica Online?

Should he have rethought his organization's positioning in the market or looked for new products to develop under the Britannica name, instead of relying solely on the *Encyclopædia* to drive sales and growth? Perhaps more investment should have been made in the *Compton's* multimedia edition. Could he have rethought Britannica's promotional strategy upon the launch of Encarta? Were there new customers for the *Encyclopædia* that had been overlooked? These questions plagued Esposito as he prepared to complete the sale of his company.

³⁸ The story of the path not taken is told by Robert McHenry, "The Building of Britannica Online," <http://www.howtoknow.com/BOL7.html>, [BOL8.html](http://www.howtoknow.com/BOL8.html), and [BOL9.html](http://www.howtoknow.com/BOL9.html) (accessed July 26, 2006).

³⁹ Encarta Online, http://www.encarta.msn.com/encyclopedia_761551647_3/Encyclopedia.html#p43, "Encyclopedia" (accessed July 5, 2006).

Exhibit 1: Encyclopædia Britannica Revenue and Sales

Year	Annual Revenue (\$ in millions)	Hard Copy Encyclopædia Sales
1990	650	
1991	650	
1992	586	
1993	540	117,000
1994	453	
1995	400	
1996	325	55,000

Source: "Encyclopædia Britannica May Refer to 'For Sale' to Raise Capital," *Portland Oregonian*, April 7, 1995; Richard A. Melcher, "Dusting Off the Britannica," *BusinessWeek*, October 20, 1997; *Hoovers Online*, Encyclopædia Britannica (accessed July 2006).

Exhibit 2: Timeline of Events

