

Britannica and Encarta

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For decades, *Britannica* was regarded as the standard reference encyclopedia. As recently as in the early 1990s, the thirty-two volumes were selling for \$1,600.

Then came Microsoft.

In 1992, Microsoft acquired the rights to *Funk & Wagnall* and used its content to create *Encarta*, a CD rich-media encyclopedia. *Encarta*'s initial list price was \$49.95. However, it was sold for even less than that to computer manufacturers who included *Encarta* with the computers they sold.

Britannica gradually saw its market erode. By 1996, its estimated sales were around \$325 million, or about one half of its 1990 sales. It decided to enter the digital encyclopedia market as well. First, it started offering on-line access at a rate of \$2,000 a year. In 1995, it entered the home market with an on-line subscription of \$120 per year. In 1996, the company started selling the CD version for \$200.

By October 15, 2001, the *britannica.com* site cited a list-price of \$59.95 (only \$49.95 after mail-in rebate) for *Encyclopedia Britannica 2002 Deluxe Edition CD-ROM*. The thirty-two volume set still sells for a hefty \$1,295. *encarta.msn.com*, in turn, charges \$74.95 for the *Encarta Reference Library 2002*.

Questions for Analysis

- (a) Are the *Britannica* on paper and the *Britannica* on CD close substitutes? What about the *Britannica* on CD and the *Encarta* on CD?
- (b) What would you have done differently if you were at the helm of *Britannica*?
- (c) Can you think of other similar situations?

Notes

This case is based on a section of *Information Rules*, by Carl Shapiro and Hal Varian (Harvard Business School Press, 1999).

David Backus and Luís Cabral prepared this case for the purpose of class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. © 2001 David Backus and Luís Cabral.
