

ENCYCLOPEDIA BRITANNICA DEAL

How the Contact Came About

Last year, Bob Stein, a consultant interested in video disks and other technology, wrote a critical letter to Encyclopedia Britannica (EB) accusing them of being stodgy and not moving with the times. The arguments were so well presented that they commissioned him to do a study about a future kind of EB. His study was rather conservative, well written, and concerned itself largely with using video disk-like methods to augment the existing materials. In his travels, he visited Lucas films and learned of their interest in branching video disks. Some years ago he had heard me give a talk. On the basis of that and his understanding of what had been accomplished at Xerox PARC he recommended that Xerox would be the ideal corporate partner for EB.

When he learned that I had gone to Atari, he got quite excited and approached us. I had not planned to develop a strategy for a home information service until after the summer of '82, but realized that here might be a tremendous opportunity. I tested the EB relationship idea with Ray Kassar to see if he thought it might be too stuffy an image for Atari. On the contrary, he was totally enthusiastic about the idea.

I subsequently hired Bob Stein as a consultant partly because of his inside knowledge and contacts at EB, and partly because he is an excellent fellow to work with.

April 27th Meeting

After an initial contact with Charles Van Doren, a V.P. and one of two head editors, I met recently in Chicago with some of their top people:

Charles Swanson, President EB Inc.
Charles Van Doren, V.P., Editorial
James Sloan, Director, Planning and Development
Peter Norton, President EB USA (US Sales Organization)
Bob Stein and myself

This meeting was a day after their bi-monthly get together of the New Business Committee which includes the above. During this meeting, they rejected a proposed liaison with Radio Shack and considered the possibility of a new venture company headed by J. Rubin (former president of Mead Data Central) to build essentially what was detailed in Bob Stein's report.

Bob had met with Charles Van Doren the night after this meeting and was able to give me a combined written and oral briefing before our meeting. This turned out to be quite helpful.

What I Told Them

The meeting lasted for about 3 hours. First I told them how Atari had come about and how the intersection of R. Kassar with the company had led to an unprecedented growth. I explained that Atari's interest in the home went far beyond games; it is reaching towards becoming the electronic communication and entertainment environment for American homes. We talked about Atari's interest in education particularly learning, and how we (and especially I) felt about EB.

Then I launched into my vision of the project. It would be a long-term relationship. The goal was not to imitate the paper medium or even specifically to augment it. Rather we would propose to start afresh with the ideals of EB; to be informative, to be stylish, and above all to be a resource from which important starts can be made in learning most things.

This didn't do violence to short-term video disk projects but it made clear that current video disk technology would not serve EB's own conception of itself.

Then I got them to visualize a new kind of computer system acting as a communications medium between Atari consumers and knowledge they would like to acquire.

Since not a lot is known about the final form of such a system, I explained that it would be designed inherently to grow, and more importantly to have any collection of parts in it rapidly changed as we found new techniques. Because of this "constitutional approach" to systems design, a very important strategy would be enabled.

The changability of the system would permit including the current online version of EB without it getting in the way later on. We would be able to offer it as a service in late '84 or early '85 and start to gather revenue even as the main body of the project proceeds.

I then talked to them about how flat text is, no matter how well written, for many subjects in EB, especially those with built-in dynamics such as electronics, history, music, biography, etc. The idea of supplementing or replacing articles with dynamic situations that could generate animations and explanations excited them greatly.

My conception of the project is one that spans about ten years. The first several are occupied with the "constitution" and with setting up the initial service. The following years are devoted to making money and in enriching the corpus as it moves from pure text to a more graphical and entertaining adventure. This project is a lot like Disneyland actually. There is an initial conception

which allows most interesting things to be explored under the context of "lands". The first level of park is built. Its success leads to constant enrichment of the basic ideas. I also mentioned that Atari was going to do such a project regardless. All the reactions to the idea were quite positive as far as Bob and I could tell.

Van Doren is and has been quite enthusiastic.

Sloan and I discovered we have quite a bit in common and the high potential for hostility from EB's Director of Planning and Development never materialized.

The other potentially hostile member of the meeting was Peter Norton, the President of EB's sales organization who would be most affected by a change in media. His comment was interesting: "I hate to see it happen. But it's going to happen. I don't want to wake up in the morning and read that someone else has done it. Therefore, we should do it!" His concern is less that this project will start to cut into paper sales than that people will not buy paper if they hear that an electronic version will soon appear.

Charles Swanson, the head of the company is a nice "gentle-man" of the old school. He strongly sees himself as a caretaker of a legacy left him by Bill Benton, the driver that shaped the 15th edition. Swanson is not a mover and shaker but he seems to be for our plan. He will not walk through fire to see it implemented.

The Board of Directors is the key. The most powerful members are Anna Hoffman, and Mortimer Adler, the force behind Great Books, the Syntopicon, and the organization of the 15th edition of EB.

The Next Step

We should invite critical people from EB to Sunnyvale before this meeting cools.

R. Kassar should have a comprehensive discussion with Anna Hoffman.
A. Kay might tag along.

A. Kay will meet with Mortimer Adler, perhaps with Charles Van Doren.

A. Kay, R. Stein, S. Weyer will draft an initial version of the proposed project.

My Conception of the Possible Deal

EB's gross is about \$350M per year. They sell about 150,000 EB's each year. They have 1,000 salesmen who sell about 50% to consumers, the other 50% to bookstores and libraries. The 15th edition cost in total about \$63M. Initial budget was \$18M and swelled into the \$30M's before they got it out the door. One of the principal beneficiaries is the U. of Chicago.

They don't have much loose cash. Atari would have to finance most of the project, but let EB pay more back as the profits come rolling in. This doesn't seem unreasonable. They already have invested an enormous amount in material to which we are going to add Atari's name. They also have some intangibles. When EB writes a letter to ask a scientist or anyone else to contribute an article, they don't get turned down, no matter how famous, rich, or busy the person is. It's like Scientific American only more so. The potential for bringing good people to Atari to work on this and other projects can't be underestimated.

The best way to do this is as a joint venture company that combines the Atari and EB names, promoting "us" as opposed to "we" and "they". Judging from the discussions I would think that this would be agreeable.

It is important for us to realize in every discussion with them that we are dealing with what I call the "New England" mentality. EB is 220 years old and these people are justifiably proud that they are the latest in a shining tradition. We have to show them that this new proposal will fit into and glorify the tradition. This is especially important when dealing with the Board. I made certain that they realized that Atari is a bit of a Wild West Show, so they wouldn't be completely disoriented by our style - but that we have intentions and ideals very recognizable to them.

Making lots of money is not their main bag though they are realists and have not done badly at it. The romance of knowledge and its access is their thing. That is where our strength in convincing them lies.