Chapter 3
Slippery Slopes

ABSTRACT

In order to clarify some defining factors of business success in the information age, this chapter presents two known failures. Encyclopedia Britannica, Inc. successfully marketed a reputable product, but certain flaws in the company's structure and process led to a decision to protect its print product rather than make a shift to digital media, with irreversible results. Among newspapers, the San Jose Mercury News seemed ideally positioned to make a successful transition to the Internet age. Yet it was impossible to do so without the cooperation of other major newspapers, which it was unable to obtain. This example evinces the rise of a new and widespread paradigm in which users expect content without cost, which has proved especially challenging for newspapers. However, several publications, including The Wall Street Journal, the Financial Times, and The New York Times, have adopted new business models that may lead to sustainability.

INTRODUCTION

Transitioning from one historical epoch to the next is a difficult process. History is rife with stories of organisms that are unable to evolve and adapt sufficiently to changes in their environment. From the dinosaurs to the dodo bird, the result is always the same: extinction.

Few environments change like the business world, and when it comes to the online information retrieval industry, the last few decades have seen incredible upheavals. The industry revealed new potential no one could foresee and came to

command one of the largest market shares of any existing industry. Its landscape has changed rapidly, as emphasis shifted from data organization to mass storage on CD-ROM to search technologies and finally to value-added services on mobile computing platforms.

Those players that have managed to stay in the game through all of these changes have become legendary. As a testament to their success, their profit margins are second only to the worldwide recognition of their names: Microsoft, Google, Apple, Facebook, and Amazon.

But what about those businesses that performed well within a given industry epoch but failed to evolve in a way that enabled them to carry that success through to the next era? We're not talking about unsuccessful fly-by-night companies that never got off the ground, but rather about highly successful multi-million dollar corporations that, for whatever reason, were not able to effectively shift their operations into the new paradigms dictated by the rise of the Internet. What became of them?

Just as with the dinosaurs, there was extinction, and in many cases, that extinction was dramatic and unexpected. But as scientists learn from fossils, we can also learn from studying extinct businesses. What can we learn from their stories? In this chapter, we'll examine two such businesses to see what their struggles have to say about the nature of the industry and what can be done to ensure success in the future.

The first of the two companies is still a widely familiar name: *Encyclopedia Britannica*. Once a forerunner of authoritative information indexing and organization, the encyclopedia's publisher, Encyclopedia Britannica, Inc., eventually fell into rapid decline and had to be sold at a fraction of what it was worth at its peak. Yet it came so close to success that its story is considered one of the most tragic in business (Greenstein & Devereux, 2006).

The other is perhaps less well known: the *San Jose Mercury News*. Despite having the uncommon distinction of being a newspaper that actually foresaw the imminent rise of the Internet and attempted to adapt, the paper never quite made the impact it sought to achieve. This was due primarily to the recalcitrance of competitors who refused to help one another evolve.

ENCYCLOPEDIA BRITANNICA: A REFUSAL TO ENGAGE IT'S CORE BUSINESS

Dialog and ORBIT succeeded by selling access to specialized databases on topics such as chemicals and medicine; encyclopedias represent the diametrically opposed approach to the dissemination of information. While database access was routinely sold to institutions that only had use for one highly specialized type of information,

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