Washington Post — Jan 27, 1997



BY ROBERT A. REEDER—THE WASHINGTON POST

Reg Murphy, who joined National Geographic in 1993 and ascended to the top spot in May, has revolutionized the business side of the organization.

Mapping Out a Greater Society

National Geographic Is Pushing Beyond Its Yellow Borders Into New Market Territory

By Paul Farhi
Washington Post Staff Writer

Next month, the cameras begin rolling on "Stanley and Livingstone," a made-for-TV movie starring Aidan Quinn ("Michael Collins," "Legends of the Fall") and Nigel Hawthorne ("The Madness of King George"). The two-hour drama for the ABC network will re-create the lives of the two men who explored Africa and their famous meeting.

What's in the movie, however, may not be as surprising as who's behind it: National Geographic Television. "Stanley and Livingstone" will be the first movie co-produced by NGT, heretofore known only for documentaries on sharks, polar bears and sundry other nonfiction subjects.

NGT's first foray into the uncharted wilds of Hollywood doesn't figure to be its last. Currently in development at TriStar Pictures is another National Geographic project, "Endurance," a big-screen dramatic adaptation of Sir Ernest Shackleton's account of his shipwreck and survival in Antarctica. Four other TV-movies-of-week are in the works, plus a miniseries, all based on similar "real-life, human adventure," says Tim Kelly, the television division's president.

There's more. A National Geographic Internet site featuring articles from the magazine and an online "store" opened in June. At two shopping malls in the New York area, National Geographic is testing kiosks that sell books, maps, videos and T-shirts. And more: Soon, tourists will be able to watch National Geographic-produced films and manipulate "hands-on" exhibits at sites near the Grand Canyon, the Everglades and other national parks. Some of the organization's executives are even talking about adding amusement park-style motion-simulator rides that would take visitors on, say, a virtual trip down a whitewater river.

Until very recently, such brazen entrepreneurship was *terra incognita* for the nonprofit National Geographic Society. Founded in 1888, the society has long projected a sedate, semi-academic air, largely detached from the marketplace. From its stately columned head-

THE HISTORY OF A SOCIETY

Jan. 13, 1888: A group of 33 men meet at Washington's Cosmos Club to discuss "the advisability of organizing a society for the increase and diffusion of geographical knowledge." On Jan. 27, 1888, the National Geographic Society is incorporated.

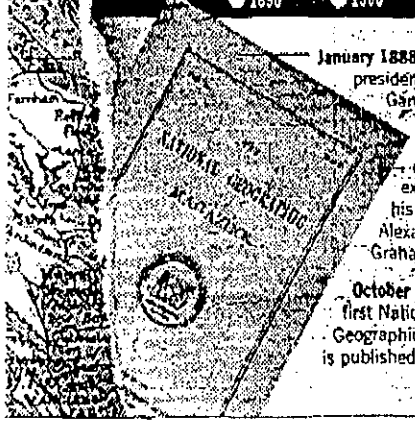
1890: Society sends geologist Israel C. Russell to explore Alaska. This is one of the first research grants issued by the society.

1935: Funding helps in the launching of a stratospheric balloon, Explorer II.



1963: The first American team to reach the summit of Mount Everest includes a society staff member.

1890 | 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990



January 1888: Its first president was Gardiner Greene Hubbard; he promotes the experiments of his son-in-law, Alexander Graham Bell.

October 1888: The first National Geographic magazine is published.



1909: Sends Robert E. Peary on his historic expedition to the North Pole.

1912-1915: Funds expeditions to excavate Machu Picchu in Peru.

1985: Robert Ballard expedition discovers the Titanic; it is a project funded by the society.



quarters at 17th and M streets NW, the society produced TV documentaries as well as its famous, yellow-bordered magazine for about 9 million subscribers, or "members" in society-speak. Its stated mission—"the increase and diffusion of geographic knowledge"—has been tended in dynastic fashion by members of the Grosvenor family, descendants of one of the society's early presidents, Alexander Graham Bell.

The catalyst for change, perhaps not surprisingly, has come from outside the family. In 1993 the society hired former newspaper publisher Reg Murphy as its No. 2 executive and heir apparent to president and chief executive Gilbert M. Grosvenor, Bell's great-grandson. Since then, Murphy—who ascended to the top spot with Grosvenor's retirement in May—has revolutionized the business side of the organization, moving swiftly to capitalize on its upscale, highbrow reputation.

Among other things, Murphy has turned National Geo's TV unit into a for-profit subsidiary, freeing it to pursue lucrative production and syndication deals with the likes of Turner Broadcasting, Warner Bros., ABC and NBC. He then hired John Fahey, who previously headed the Time-Life direct-marketing division in Alexandria, to run it as part of National Geographic Ventures, a new for-profit subsidiary. Fahey's group, which already is profitable thanks to booming television revenue, now oversees an expanding multimedia factory that is producing maps, CD-ROMs, the National Geographic Web site and TV programs.

The society's nonprofit book division is getting juiced up under Murphy too. This year, the group will produce about 40 titles, triple its output in 1995. The unit is under another Murphy hire, Nina Hoffman, a former Simon & Schuster executive.

Business executives such as Murphy speak proudly about the magazine's "brand equity," the halo of trustworthiness that may make consumers more likely to buy other products sporting the NG imprimatur. The magazine, in fact, landed at the top of a recent Equitrends Inc. survey of perceived quality among media organizations; the Discovery Channel, the Bethesda-based documentary network, was rated No. 2.

"For an organization like this, we're moving pretty rapidly," says Murphy, a drawling, likable Georgia native. "If this were the business world, I doubt people would think this is rapid. But with an institution like this, change usually comes slowly, and change is jarring."

Indeed it is. The new marketing evangelism at National Geographic has caused considerable friction within the organization, particularly at the magazine. Staffers worry that the new exuberance for merchandising's National Geographic's "brand equity" creates an inevitable conflict, forcing the organization to choose between its capitalist appetites and its editorial integrity.

Murphy has sat through several testy meetings recently with magazine staffers concerned about the erosion of editorial resources; the magazine now has four staff writers, down from 13 or 14 only a few years ago. Any cutbacks, of course, are considered heresy at a publication known for luxuriant expense accounts and generous deadlines.

"There's a feeding frenzy to exploit our quality," says one staff member. "They want to suck everything out of our name that they can. It's a shortsighted policy that says, 'Get the stuff out there while people still trust us.'" He adds, "My problem is the way they look at content. Who is controlling the editorial process? Are the administrators and the marketers and the salesmen going to be allowed to control how we create things around here, or is it the other way around?"

The resentment within the ranks has some plainly personal overtones. While Murphy's critics at the magazine don't question his financial track record—as editor and publisher of the Baltimore Sun, San Francisco Examiner and the Atlanta Constitution—they suggest his editorial legacy is mediocre. (Murphy briefly came to national attention when, while running the Atlanta paper, he was kidnapped and held for ransom.)

Grosvenor, who remains chairman of the society's board of trustees, responds that it's possible for the business and editorial sides to peacefully coexist, indeed to thrive.

"We all have to roll with the times," he says. "I'm sure there was a time back in the dark ages, 25 years ago, when people thought we were crazy to get into TV documentaries. Well, we demonstrated what we can do with TV and we'll prove it again" with other ventures.

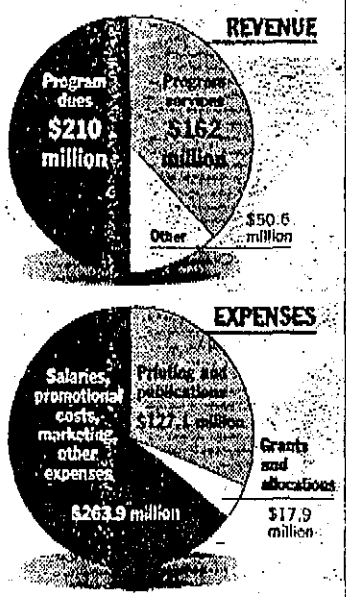
Besides, he acknowledges, National Geographic is late to the multimedia party. The organization hesitated in starting a cable channel a decade ago, fearing it would jeopardize its nonprofit status. Into the void rushed Discovery, which now dominates the market—and is worth, by one estimate, in excess of $5 billion. Says Grosvenor, "Discovery ate our lunch."

Even as it expands into new areas, National Geographic could shrink in others. Murphy doesn't rule out the possibility of additional

See **NATIONAL GEOGRAPHIC**, page 14

FOLLOWING THE MONEY

National Geographic reported $422.6 million in sales for 1995; about half of that, $210 million, came from membership dues. Here is a look at the society's revenue and expenses.



SOURCE: National Geographic Society

THE WASHINGTON POST



John Fahey, left, heads National Geographic Ventures, which includes Tim Kelly's for-profit TV unit that will produce 60 hours of programming.

BY SUSAN BIDDLE—THE WASHINGTON POST

NATIONAL GEOGRAPHIC

It's Not Just a Magazine Anymore

- **Television:** National Geographic Explorer, hosted by Boyd Matson, is a two-hour version of the magazine. The weekly show has an average audience of 3.5 million viewers.
- **Videos:** National Geographic sold its first home video in 1985. It now markets more than 100 titles and has sold more than 4 million copies.
- **Children's Programming:** In addition to home videos, targeted at kids age 5 to 11, National Geographic produces the television show "Really Wild Animals" which airs on the Disney Channel.
- **Computing:** In addition to its Web site (*www.nationalgeographic.com*), National Geographic offers a wide variety of educational CD-ROMS.
- **National Geographic Channel:** In conjunction with NBC, the society is creating a cable and satellite channel intended for international access.
- **Movies:** The society is using its film archive to create dramatic movies for television and film. ABC will air some films under the title: "National Geographic Night at the Movies."
- **Theaters:** National Geographic is building facilities at the entrances to major tourist attractions including large-screen, Imax-type films, exhibits and retail shops at the entrances to major tourist attractions including Hearst Castle, Yellowstone National Park and Everglades National Park.

Kid Stuff

The New Merchants of National Geographic

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cutbacks throughout the organization, even though there are no specific plans. In April, days before Murphy's promotion to chief executive became official, the society announced it would start using a private contractor to conduct its subscription and customer-service operations. That move will phase out some 350 jobs, or nearly 25 percent of the organization's work force.

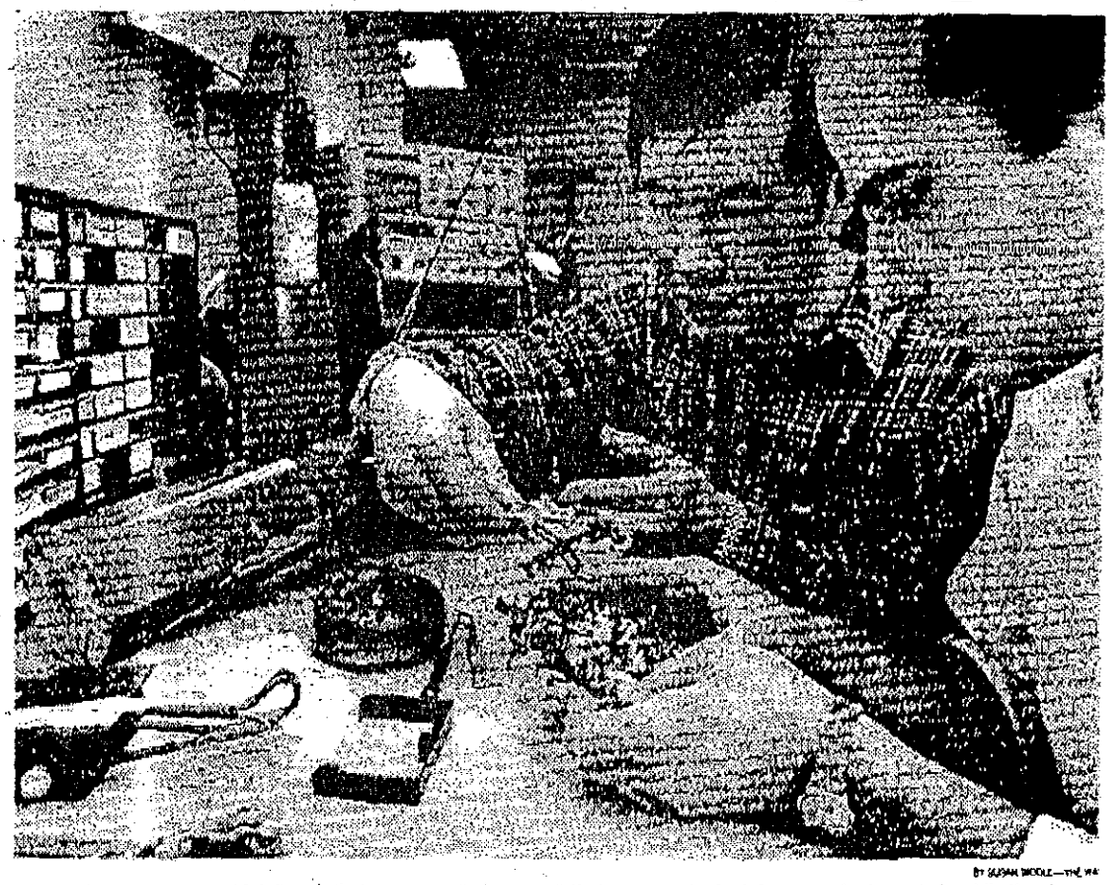
As the whole, the society is in enviable financial shape. During 1995, the last year for which public records are available, it generated "excess" revenue (the equivalent of profit) of $13.8 million. While that is a relatively small return on its $422.6 million in revenue, the society had $509 million socked away in highly liquid securities and reported total assets of $729.3 million.

Unlike chief executives in private enterprise, Murphy doesn't have to be concerned about keeping his stock price up or paying dividends. His overall goal, he says, is to increase the amount money given each year by the society to its research, exploration and education programs, currently about $14 million. That, he adds, requires both cutting costs and generating revenue.

Murphy says the society's three magazines—which accounted for about half of the society's revenue last year—haven't even begun to tap the vast non-English speaking world. There's only a Japanese edition of National Geographic, with a Spanish-language version possible by year's end.

But both he and Fahey say they can foresee a day when magazines (at least the paper-on-ink kind) are no longer the dominant product of the organization. In fact, though its circulation turned up slightly last year, National Geographic has lost about 20 percent of its circulation from its peak in the 1980s.

The real growth areas may well be the for-profit units that are under Fahey's direction, especially the Internet site and television production. TV revenue, in fact, jumped 28 percent last year, to $33 million. Under Kelly's direction, the unit will produce about 60 hours of television, including a children's show, prime-time specials and the Explorer series for Time Warner's TNT cable channel.



BY SUSAN WOOLL—THE WA

Derrick Cheung, left, and Mehdi Bakhtiari work on a "crittercam" that can be attached, for example, to a whale while it swims.

Fahey believes TV and the Internet will enable the society to spread its educational message to "more and different people; people who may not have the same educational level as our readers." By that, he also means younger people; the average age of a society member is 52.

As for new ventures, Fahey insists he won't stray too far from what made the National Geographic Society what it is.

"Think of a target with a bull's-eye," he says. "There's the core and then the concentric rings going out from there. We have to stay close in to that core."

Of course, potential marketers can still dream. Fahey concedes, "The time will come when we'll consider doing something that will make people here flinch, but that hasn't happened yet."

Recently, Fahey was approached by would-be partners hoping to develop a seri tional Geographic-themed restaura imagine: steak houses evoking the the pampas, or maybe something wi forest theme. . . .

Fahey laughs. "I told them no," "That's not what we are."

Staff writer Heather Salerno contribu this report.

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