

Quest for Profits Is Shaking a Quiet Realm

By CONSTANCE L. HAYS

WASHINGTON

NATIONAL GEOGRAPHIC has always stood apart from most other magazines, a yellow-bordered aristocrat clinging to its Victorian sense of purpose: "the increase and diffusion of geographic knowledge." No miracle diets or sex tips here, just exhaustive examinations of the Roman Empire or startling pictures of somewhere on the fringes of the galaxy.

And for millions of Americans, for more than a century, that has been just fine. With a circulation of nine million, National Geographic has become as sturdy an icon as the school bus, with many a suburban bookshelf sagging under the weight of the musty magazines that people can't bear to throw away.

But now the National Geographic Society, the \$500 million-a-year enterprise behind the magazine, is changing from a traditional, nonprofit monolith into an explorer of an assortment of other media, this time for profit. The move comes as Gilbert M. Grosvenor, the last link to the society's founding family — an illustrious clan that included Alexander Graham Bell — has disappeared from the daily operations, leaving brasher newcomers in his place.

And though with change there is nearly always protest, here the protest is so sustained that it suggests the society may be abandoning what has made it unique all these years — and, in the process, trading in its rather classy image for a more commonplace devotion to the bottom line.

"The question always is: When you take away what is special about the Geographic, do you take away what the audience perceives as special?" said Peter Benchley, the author of "Jaws," who has written several articles for the magazine, including the June cover on French Polynesia.

"Everybody is concerned, largely because there's uncertainty about direction," said Jennifer Ackerman, a former staff member whose article on barrier islands is in the August issue. "It has been a very rapid change."

From the way it treats its photographers, to its rush to embrace other media to its willingness to pursue corporate sponsors like Pizza Hut, the made-over society, led by its president and chief executive, Reg Murphy, has aroused curiosity and anger within and outside its walls.

Understand that it has been in a time warp, with the atmosphere of an Ivy League English department rather than a harried magazine production line. Quaint terms and titles have been preserved like butterflies on pins — captions are still called legends, and unedited articles are manuscripts. There is an editor in charge of expeditions, another in charge of archaeology.

For decades, an air of collegiality prevailed. The editorial side rarely heard from the business side. Time and money flowed as long as an article or its photographs required — sometimes for years. Any change came slowly, as when an earlier Grosvenor decided to get rid of the oak-leaf decorations on the magazine's border, removing them one at a time over several years. (Readers barely noticed.)

Financially, National Geographic also looked

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robust, with a huge endowment amassed from its accrued tax-exempt profits. (The society paid cash when it built the so-called Maya Temple on M Street here in 1981.)

But a closer look shows that the business has not been so healthy lately. The 1996 consolidated financial statement reported \$496.7 million in revenue, but \$500.9 million in expenses. Contributions, \$6.4 million in 1992, were only \$2.2 million last year. Circulation has fallen from its 1989 peak of 10.9 million, to 9 million today.

Were it not for selling some securities in its endowment, the society would not have been in the black either of the last two years, though its executives attribute the recent higher costs to downsizing. That explains, in part, the attraction to the world of for-profit media — even if it means eventually paying taxes. The society, though, has yet to pay the Government anything for its new ventures, which have racked up a \$24 million loss that, under current law, could shelter future income.

A PART from the tax issue, the tension is palpable these days in the hallways of the offices clustered in three buildings along 16th, 17th and M Streets. One editor keeps a voodoo doll close at hand — not a souvenir from a distant expedition, but a gift from a friend aware of the tumult.

"A lot of the people who are making decisions right now have business backgrounds," said another editor, Robert M. Poole, who is second in command. "All of this is particularly difficult for people like me who work for the magazine."

Some people argue that the change is long overdue, that National Geographic enjoys an unfair advantage by classifying itself as a nonprofit society.

"National Geographic isn't nonprofit — it's simply nontaxpaying," says Dean Hammond, chairman and chief executive of Hammond Maps, which for decades has considered National Geographic a competitor. "As a small family-owned business, we have paid thousands of times the taxes they have ever paid, and yet they have this self-polished halo and the reputation of being good guys."

Mr. Murphy, who succeeded Mr. Grosvenor a year ago, counters that National Geographic created the interest in maps in the first place.

The changes at National Geographic started slowly but are now in overdrive. First came the switch from not-for-profit status to a partly taxable institution in 1994, when the society created National Geographic Ventures, the for-profit arm that includes its television, on-line and map-making businesses. Society executives set up the dual structure to avoid jeopardizing National Geographic's tax-exempt status as it competed in other media. Except for the flagship magazine, which is sent monthly to anyone who pays the \$27 annual membership fee, just about anything that becomes a high-volume business or is sold in commercial venues where it vies with products from tax-paying competitors can fall under the for-profit division.

The shift may have spared the society, historically a darling of Capitol Hill, from completely losing its tax-exempt status, as other organizations have recently. But it did not inoculate the society altogether. Fine print in last week's tax package forces the society to begin paying taxes on millions of dollars of rents and royalties it collects from its for-profit subsidiary as of Jan. 1, 2000. "We are strongly, negatively impacted by it," Suzanne Dupré, the society's general counsel, said of the tax bill.

BUT like someone's great-aunt who suddenly decides to take up bungee-jumping, the fin-de-siècle Geographic faces other perils besides taxes. "Talk about a shift," said Peter Miller, the senior assistant editor for expeditions, who is generally enthusiastic. "You have a new lord and master: What can we do that will thrill people and still make money?"

There are plans for all kinds of ventures, from full-length feature films to CD-ROM's that contain every issue of the flagship magazine — an information trove that might help loyalists feel better about finally shedding those back copies.

Cable television broadcasting partnerships have been forged with NBC and Rupert Murdoch's British Sky Broadcasting. Hallmark is a sponsor of a made-for-television mini-series about Stanley and Livingstone that will be broadcast on ABC. And talks are on with two movie studios, Columbia Tristar and Francis Ford Coppola's American Zoetrope.

Materials that have long been offered exclusively to members — atlases, videos and books, for example — will finally be offered to the masses — a nod to the 17 percent decline in membership since 1989. To help that rollout, the map division in January completed the society's first-ever acquisition, a \$2 million Colorado company called Trails Illustrated, and struck a partnership with the Geosystems Global Corporation to produce the first National Geographic Road Atlas by this fall.

That is not all. About \$20 million was spent for a 44 percent stake in Destination Cinemas, which creates giant Imax theaters in places like William Randolph Hearst's castle and national parks. The magazine's site on the World Wide Web (www.nationalgeographic.com) is up and running. Two Spanish-language editions, one for Latin America and one for Spain, will start soon, with a Hebrew version to follow.

THE guiding principle is "branding," the use of the trademarked yellow rectangle to promote other products. At staff meetings, Disney is held up as a role model for marketing prowess, if not for content. Along those lines, a retail store is set to open this fall at Washington's National Airport, allowing travelers to make impulse purchases like stuffed animals and coffee-table books.

"The model company that tends to get talked about a lot is Disney, that it's great at brand awareness and brand extension," said Bernard Ohanian, the editorial director of international editions, whose job just became much busier. "For people who are used to the Geographic's style editorially, that can raise some red flags."

Though the new ventures are unfamiliar territory for old-timers, in theory they advance the society's mission: the spread of geographic knowledge in a country where, Geographic executives say, many people have trouble identifying the Pacific Ocean on an unmarked map. The idea is that when the new ventures are profitable, they will help pay for society expeditions, research and classroom programs.

But the society's staff members, the true believers in that mission, aren't taking as well to the upheaval, which many say has threatened the quality of the magazine. To those who would like to slow the pace of change, Martha E. Church, a geographer and board member, says: "We're playing some catch-up. There are people who say, 'Stop, we'd like to think it through.' But I'm afraid that luxury isn't there."

Among the other vanished luxuries are the annual 25-cent Thanksgiving dinner, revered more for its camaraderie than for food quality; free parking (it now costs \$25 a month) and, more important, the sense of unlimited time in the field for photographers and writers — having the commitment, as Mr. Murphy boasts in the society report, to wait 21 days for a gorilla to take a bath.

"You have the new regime saying, 'Why do you have to spend so much time in the field?'" Mr. Ohanian said. "And the editors say, 'No one else produces the product we do.'"

At the magazine, like everywhere else in publishing, there has been an emphasis on shorter articles. That explains at least some of the flak, says William L. Allen, the magazine's editor. "The staff is overwhelmed and a little bit overworked right now," he added. "We're producing 40 percent more articles than we did two and a half years ago."

Some staff members also question the magazine's decision to switch to lighter-weight paper, which saves a

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bit on postage but, some people say, is not as attractive.

At ground zero of the activity is Mr. Murphy, a Georgia native who held top posts at The Atlanta Constitution, The San Francisco Examiner and The Baltimore Sun. A 63-year-old with the craggy visage of an osprey, Mr. Murphy calls himself "the least scholarly person you know."

And he has urged the staff to be a little less compulsive. "I don't want them to waste their time anymore calling the Library of Congress to find out how high is an elephant's eye," he said. "On the other hand, they are charged with the responsibility of making things accurate, and beyond accurate, insightful."

THAT said, his vision for Geographic includes producing the magazine in other languages, making the society more of an international activist (he'd like to buy a rain forest, he says, to study and preserve it) and going after new technology to help spread geographic knowledge. "We're going to do the same kinds of things we've always done, but in additional formats," he said in an interview in his sprawling corner office atop the Geographic building fronting 17th Street. His staff, he added, "thinks it's revolutionary, but really, it's evolutionary," something no more harmful than the decision to add photography in 1905 or to make television documentaries 60 years after that.

"Change is the rock in everybody's shoe," he said. "And some people limp."

Mr. Murphy said the society's members, with their computer literacy and fast-paced life styles, were themselves driving the change. As for the Thanksgiving dinner, he said: "We're not running a plantation here. We're trying to run a membership society."

Toward that end, he has hired many people who are sometimes viewed with suspicion by the old-timers, mainly because they are seen as "his" people. Two of his friends, D. Ronald Daniel, a management consultant, and Terry Adamson, a Washington lawyer, are the outside directors on the five-member board that oversees the for-profit operations. On the society's board, he has added Nina Hoffman, a former Simon & Schuster executive who arrived last year to run the book division and international editions, and John M. Fahey Jr., who was hired 15 months ago from Time-Life to head National Geographic Ventures and was quickly promoted to chief oper-

ating officer of the society.

At the same time, other employees are gone, most notably the 350 people who worked in Gaithersburg, Md., filling customer orders. The building has been sold, and the services hired out to three corporations.

"There is a changing of the guard here, from the Grosvenor family to what a journalist would say is professional management," said Mr. Daniel, a director of McKinsey & Company, the management consulting firm, as well as the Harvard Corporation.

There was plenty of notice. Gil Grosvenor said he made clear to the board several years ago his plans to retire at 65. Neither of his two adult children wanted to continue the family's five-generation involvement with the Geographic. (The third child is in high school.) An executive search firm found Mr. Murphy in 1994, when he was president of the United States Golf Association.

And Mr. Grosvenor, who now concentrates on raising ponies and azaleas on his Maryland farm, is well aware of the staff's unease over the end of his family's tenure at the magazine.

"Hopefully, senior managers coming from other publications will recognize the importance of maintaining the image of the yellow rectangle," he said. "Image takes a long time to develop, in our case, 108 years. But images can be destroyed overnight. They are very fragile."

There are rumors that he and Mr. Murphy, the past and the present, are at each other's throats. A senior editor, who spoke on condition of anonymity, said: "This place is like a Southern family with a dead aunt upstairs. Everybody knows she's there, but nobody wants to talk about it."

Mr. Grosvenor and Mr. Murphy deny the talk of discord. Mr. Grosvenor said, "When I walked out this door last June, I told Reg it's his ship."

Still, even Mr. Grosvenor's elderly stepmother has apparently expressed her displeasure. "She said, 'How would you feel if a man took over your family's business and said in front of other people, this is not your father's Oldsmobile?'" a recent dinner companion of hers said. The society is also having to put out fires among its many contributors. The CD-ROM project, overseen by the head of the on-line division, Lawrence R. Lux, is producing a 36-disk boxed set, marketed with Kodak and containing reproductions of every National Geographic published through December 1996. The project has infuriated some writers and photographers, whose contracts specified that they be paid for any "new and different" use of their work.

But in Mr. Lux's view, "It's clear that we in the society own the rights to the magazine, and what we've done is reprint the magazine."

Jim Pickerell, a photographer whose work has appeared three times in the magazine, has hired a lawyer to represent photographers opposed to the CD-ROM, which is scheduled for a September release. "To a man or a woman, I have not heard of anyone who supports the Geographic position," he said.

Nathan Benn, who spent nearly 20 years as a contract photographer on assignments ranging from Pittsburgh to Peru, said: "It's blatantly inconsistent with our agreement. I am not nostalgic for a paternalistic relationship. But even businesses that are well-run and efficient uphold their agreements."

The sudden interest in profit involves other judgment calls, too. While buying a rain forest appeals to Mr. Murphy, starting a restaurant chain along the lines of Rainforest Cafes would not. Putting a credit-card company's logo on a National Geographic classroom map is considered acceptable, but allowing a licensee to produce baby bottles emblazoned with the society's logo is still taboo, since it would hardly be educational. "I worry a great deal about making a move that is inappropriate," said Mr. Fahey, who is considered Mr. Murphy's heir apparent.

THE society, meanwhile, has borrowed another page from Disney's playbook: incentive-laden pay packages. Last year, it commissioned Towers Perrin, the compensation specialists, to compare senior managers' salaries with those elsewhere in the media industry. The firm concluded that lower-rung employees were paid competitively, but that senior managers were way behind their peers. (The society's latest tax return shows Mr. Murphy making \$303,007 in 1995, second only to Mr. Grosvenor, who, as president and board chairman, made \$430,000.)

"There are no stock options, and there had been no bonus plan until this year," said Mr. Fahey, who favors splashy Valentino ties, in contrast to Mr. Grosvenor, whose neckwear features globes and other geography-related themes. Mr. Fahey said he took a pay cut to work at the Geographic, a situation he and others now seem dedicated to correcting.

It's an interesting time. While the world is getting smaller, and Mars is permitting photographs, people at the society, typically chroniclers of such things, are struggling with their destiny.

"I look at this selfishly and say I wish they would shape up and do a good job," said Mr. Benchley, the author. "I'd hate to see this thing go down the chute." □