

A close-up portrait of Richard Branson, smiling and looking slightly to the right. He has light-colored, wavy hair and a goatee. He is wearing a white button-down shirt. The background is a blurred tropical landscape with green foliage and a blue sky.

Richard Branson relaxes on Necker Island, his own private island retreat.

While some have accused him of tilting at windmills, Sir Richard Branson continues to follow his dreams, from a church crypt to a hot-air balloon and a deserted isle. Next stop: **space**.

A Knight's Tale

BY MARGIE GOLDSMITH

DRESSED IN A PLAIN WHITE T-SHIRT AND BLACK SHORTS, Sir Richard Branson excuses himself to answer his cell phone, padding barefoot from the Great Room to the terrace of his Necker Island Resort in the British Virgin Islands. Gazing out at unobstructed views of powdery white sand beach and Caribbean sea, he runs a hand across his white-blond goatee, then pushes a few strands of sun-streaked hair off his face. At 57 years old, after decades on the world stage learning to turn failure to his advantage and garnering headlines on death-defying balloon trips, Branson looks more like a Malibu beachcomber than a billionaire entrepreneur, a man who owns 200 companies with over 25,000 employees whose revenues totaled more than \$10 billion at last count. Virgin enterprises range from Virgin Atlantic Airways, Virgin Megastores, Virgin Mobile, and Virgin Hotels to trains, financial services, music, soft drinks, wines, publishing, cosmetics, games, holidays, jewelry, limobikes, fitness clubs, cargo, balloon flights, comics, cosmetics, and most recently, space tourism, all with the eyebrow-raising Virgin name.

"We never bought companies," says Branson, the founder and cheerleader-in-chief of the Virgin brand. "We've always grown them from scratch. We've never had a catastrophe; we've had ventures that haven't worked out as well as we'd like them to, but we've never had a company go into Chapter

11 or go bankrupt or anything like that." All the Virgin businesses run independently, often set up as joint ventures with other partners; all have different shareholders and boards. Branson calls his business method "branded venture capital." He starts and manages all new companies under the Virgin banner, while partners provide the majority of the investment. "If you can run one business well, you can run any business," says Branson. "There just needs to be a crying-out need for you to enter the marketplace. The time to go into a business is when its abysmally run by other people."

Branson's seemingly charmed life wasn't always so. As an eight-year-old, he could not read. He stuttered, he was dyslexic, and he was nearsighted. He struggled with math, and it wasn't until he drifted into his first business venture that he learned that math made sense only when using real numbers to solve real problems. At 16, Branson left school and founded *Student*, a magazine with a liberal slant that was run from the crypt of a London church, with two coffins as office furniture. "When I told the headmaster I was going to start a magazine, he said, 'I predict you will either go to prison or become a millionaire.'" As the editor-in-chief, Branson interviewed John Lennon, Mick Jagger, Vanessa Redgrave, and other celebrities, and persuaded Jean-Paul Sartre, the French philosopher, to write an article. Branson knew nothing about publishing a magazine, but "I learned a

lot from getting out there and meeting people, traveling, and trying to survive. I learned that business could be a creative enterprise. I didn't get into business to make money. If that is the sole motive, then I believe you are better off not doing it."

Branson's office on Necker is every bit as unusual as the office from which he ran *Student*, though a good bit more comfortable. He typically conducts business while lying on a rope-mesh hammock suspended from a shaded porch off the Great Room. He bought the island in 1982 as a private retreat, and says he feels most relaxed there of all of his properties. An employee approaches with an architect's sketch of a new tree house at Ulasaba in South Africa, another Branson luxury property that, along with Necker and Kasbah Tamadot in Morocco, is open to paying guests. Branson studies the sketch, then hands it back. He smiles often and easily, his eyes sparkling. This is clearly a



ABOVE: Branson poses next to *SpaceShipOne*, the first privately funded human spaceflight project. RIGHT: *SpaceShipTwo* will fly higher than *SpaceShipOne* in order to lengthen the experience of weightlessness.

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man who enjoys a challenge, who loves it when somebody mocks his unorthodox management style. "Somebody once called Virgin 'an unprofessional professional organization,' which I'm very happy about," he grins. "Business is a fluid, changing substance. As far as I'm concerned, the company will never stand still. It has always been a mutating, indefinable entity."

When Branson started *Student*, his career path deviated from the ambition of his father, a lawyer, who wanted him to follow in his footsteps, but it was in keeping with the aspirations of his mother, who early on had taken pains to encourage his independent spirit. When Richard was five, fearful that "kids were getting a bit soft and feeble," she dropped her son in a field and told him to make his way to their country home two miles away. "We thought we had lost him," she recalled, "but he found his way to a farmhouse and they called us." At 11, his mother made him ride his bicycle to a town 50 miles away to teach him stamina and a sense of direction. Says Branson, "My dad loves life, loves people, and he hasn't got an ambitious streak in him. He's completely opposite my mother who's always up and going and pushing and moving on to the next project. It's a good balance, and I'd like to think that a bit of my dad rubbed off on me as well as my mom."

Like his mother, Branson couldn't sit still and parlayed his *Student* experience into a discount mail-order record company. He called it Virgin because he and his staff were complete virgins at business and because virgins, like money, were in short supply in the basement occupied by the fledgling business. When postal workers went on strike, Branson saw an opportunity and opened a record shop on Oxford Street in London. Yet Branson knew the real potential for making money in the music industry lay in the record companies themselves, and in 1972 he launched Virgin Records. His first release, the unconventional *Tubular Bells*, by an unknown multi-instrumentalist, Mike Oldfield, sold 15 million records after it was featured on the soundtrack of the movie *The Exorcist*.

"It made us our first fortune—to lose," quips Branson. But he proved an astute negotiator, signing artists such as Genesis,

Phil Collins, the Rolling Stones, Janet Jackson, Boy George, and the too-hot-to-handle Sex Pistols to long-term contracts that other companies were reluctant to employ. Building on his success, he acquired worldwide rights to recordings and held copyrights for as long as possible.

Looking to buy an island as a private retreat where he, his girlfriend, and the Virgin rock stars could come and get away from it all, Branson put in a bid on the secluded Necker Island in the British Virgin Islands. He arrived at the airport for the flight home to discover he'd been bumped, so he decided to charter a plane for \$2,000. Branson divided the price by the number of seats, held up a sign at the airport—"Virgin Airways, \$39 single flight to Puerto Rico"—and sold out the flight. Virgin Atlantic was born.

"We wanted to be the kind of airline that didn't bump people," says Branson. "Also, I'd traveled a lot on other people's airlines, hated the experience, and was convinced I could do it better. One weekend, I remember getting on the phone to People Express and not being able to get through, and just thinking, either they're extremely inefficient or very busy. My gut feeling was we should give it a go, because I managed to do the deal whereby if it didn't work out, we could hand the plane back at the end of the first year. If worse came to worst and people didn't like the experience, we were protected. But the opposite happened—people liked the experience."

From the outset, Branson made his own freewheeling, anti-establishment personality synonymous with the Virgin brand. This did not sit well with the firmly-entrenched British Airways, which engaged in a bitter struggle with Virgin, using political influence and underhanded tactics to block Virgin's growth. British Airways set up an espionage unit to spy on Branson and harass Virgin customers in person and by phone. Lord King, the British Airways chairman, spread rumors that his competitor was about to go bankrupt. The *London Sunday Telegraph* wondered whether Branson was "too old to rock 'n' roll, too young to fly." Branson fought back, casting himself as an upstart David against a greedy Goliath.

In 1992, to create a war chest and keep Virgin Atlantic aloft, Branson made the painful decision to sell Virgin Music Group to Thorn-EMI for \$1 billion. The sale brought Branson immense personal wealth which he used to upgrade his airline with such luxuries as seat-back video screens, full-size sleeper seats, in-flight massages and manicures, and free ground transportation by limousine to the airport. Branson continued to accuse British Airways of unethical tactics, and sued the rival airline for libel. British Airways offered the highest uncontested libel payment (£610,000) in British history, a settlement which Branson shared with his Virgin Atlantic staff. The court victory proved a turning point for the airline, and by the end of the 1990s, Virgin Atlantic became the third-largest European carrier and the most profitable company in the Virgin group.



But, by 1998 Branson's golden touch showed signs of rusting. Except for Virgin Atlantic, most of the Virgin family was floundering. Virgin Vodka was withdrawn, and Virgin Cola struggled to find a market. Publicly traded companies like the Brussels-based airline Virgin Express and the British clothing retailer Victory Corporation did poorly on the stock market. To counter criticism that he could not continue to play the role of the brash outsider to a younger generation of consumers, Branson responded by cutting his losses with some companies and launching new ones. In 1999 Virgin Cinemas sold its British theaters to a French company for £215,000,000. That same year, Branson sold 49 percent interest in Virgin Atlantic to Singapore Airlines for \$960,000,000. By 2001, Branson had lost more than half his personal fortune, but he continued to dream up new ventures, including a chain of health and fitness clubs and an online music service.

Probably Branson's most important launch has been himself—not just as an entrepreneur but as an adventurer. His first goal, in 1986, was trying to recapture the Blue Riband for Britain, a prize given for the fastest boat to cross the Atlantic. Branson was not only competing to win the trophy back for Britain but also to publicize his new airline. He succeeded in setting a record for the race and making sure his logo, *Virgin Atlantic Challenger 11*, was plastered across the boat.

More daunting than the Blue Riband were his attempts to circumnavigate the globe by hot air balloon. His first balloon, the

Virgin Global Flyer, was launched from Marrakech. Bad weather brought down the balloon, but the publicity was a major success; every newspaper photo showed Branson sitting astride a giant Virgin Cola-branded propane tank. Next, he became the first person to cross the Atlantic in a 2.3-million-cubic-foot balloon, the largest ever flown. He then broke another record by crossing the Pacific Ocean in a hot air balloon; and while he never succeeded in ballooning around the world, his daring adventures put him and Virgin on the map. In 1999, the Queen knighted him for "services to entrepreneurship."

As a maverick businessman or as a death-defying daredevil flying through the air at 245 miles per hour, Branson says he is "just proving to the public that we have to be the best." He adds: "I mean, if you're a small hotel, the big advantage you've got over the chains is you can be the best, and if you're a small airline, the same applies. We don't have the same extensive frequent flyer program as American, United, or Delta, so we have to win the public over by the quality of the product."

Apart from his well-publicized escapades, Branson is also a noted philanthropist. His Virgin United charitable foundation, to which he donates \$4 to \$5 million a year, is involved with everything from building a hospital in Africa and providing free care for HIV, AIDS, and tuberculosis patients to working with homeless children in the United States.

Brandishing his image as the average guy taking on the Establishment, Branson more recently founded Virgin Galactic, to fly ordinary mortals into sub-orbital space. Financed by Microsoft co-founder Paul Allen and an American aeronautical engineer and visionary, Burt Rutan, Virgin Galactic plans to take paying passengers on space rides in 2008. Tickets are priced at \$200,000, and so far, 65,000 people from 125 countries have expressed interest, and 200 from 27 countries have paid a deposit to be future civilian astronauts.

"We're trying to develop space travel that can ultimately be affordable for hundreds of thousands of people," says Branson, "but equally a space travel that can be benign environmentally, that does no damage to the environment at all; and then to use the technology that we're developing for benign space travel as extremely quick airline travel. Our spaceships are traveling at nearly 4,000 miles an hour into space, and if we can propel these ships into space at 4,000 miles an hour at a slightly different angle with a little bit more technology, hopefully, we can do a half-hour flight from London to Sydney—that's something which we're working on for the future. We want to be able to fly people into space, we want to fly people into a Virgin Hotel one day in space, we want to be able to fly people from continent to continent in a very fast, very efficient, very environmentally-friendly way."

A half-hour from London to Sydney? Sounds impossible, but if anyone can make it happen, it may be Sir Richard Branson. And he's not done yet. Last September, Branson announced that his personal profits from airlines and a rail company he controls—a sum he estimated at \$3 billion over the next 10 years—would be invested in developing energy sources that do not contribute to global warming. "Our generation has inherited an incredibly beautiful world from our parents and they from their parents," he says. "It is in our hands whether our children and their children inherit the same world. We must not be the generation responsible for irreversibly damaging the environment." ET