



Business and Financial Planning Lessons from The Beatles

As fans of the Beatles we have long admired them for their music and the subtle ways that their music has influenced society since the '60s. They changed the status quo of the music industry and led the British Invasion in the United States. However, as successful as they were musically, the Beatles made some mistakes that cost millions in lost income. There were the early business contracts that would come back to haunt them. The lawsuits in the 70s, following their break-up, that could have crippled their brand.

In this article we take a look at some of the business lessons derived from being a Beatle and an ex-Beatle; from early days starting out through to the present.

HARD WORK DOES PAY OFF

From the very beginning it was a measure of team work that defined the band. There was synergy between the members that created a melting pot for great music to be created. They were very innovative, taking established successful platforms and changing them to cater to their needs and in so doing revolutionizing both the music and the recording industries. They were not afraid to outsource or get ideas from people outside of the band.

The true history of the hard work that created the Beatles began in 1957/1958, when John Lennon, Paul McCartney, and George Harrison were in a band called The Quarrymen. They spent years honing their musical craft playing in Germany before the breakthroughs of 1963/1964. In Germany some nights they played as many as six sets. Practice..practice..practice! Long grueling music sets in seedy nightclubs for little pay; a story familiar to many an entrepreneur in the early life of any business. The Beatles were driven in their pursuit of success.

Little did they know this hard work would be the foundation of one of the most successful brands in the last 50 years. With some key personnel changes, came Brian Epstein and Ringo Starr - the missing pieces were now in place. This team, working together, created the most successful band in music history, with estimates of over 600M records sold worldwide.

MASTERS OF INTEGRATION

The Beatles seemed to intuitively work with people who enhanced their musical abilities. Brian Epstein, there to “clean up” and “repackage” the brand before 1963, handled the business and allowed them to focus on the music until his untimely death. George Martin, the producer, helped the band realize their musical emotions; turning vision into musical reality. Martin, a classically trained musician and informal teacher, helped the Beatles hone their song writing, with his arranging and production skills. Other collaborators included Eric Clapton, Billy Preston, Ravi Shankar, and members of the Rolling Stones. These guest musicians enhanced the creative process, and enabled the group to gain fresh perspectives on their work.

It was always about improving the product. The Beatles were very good at leveraging resources and creating synergy with others to improve their musical output. Nowadays we can refer to this collaborative process as outsourcing. George Harrison, who was generally regulated to recording only one of his written songs per album, had the heaviest influence outside of Lennon and McCartney, as he was able to veto things he didn't like and suggest alternatives, such as the addition of the Eastern Indian sitar or Eric Clapton's guitar skills on Beatle recordings.

With a Little Help from My Friends is song that is a powerful depiction of universal business success, and speaks to the creative process of the Beatles. All successful businesses need teamwork and a creative network. When the Beatles were in the business of believing in the Beatles' product, it didn't matter who made the suggestion, as long as it advanced the team's creation. Once that primary goal died, it was soon the end of the band.

MASTERS OF INNOVATION

The Beatles music was revolutionary because it was innovative. Beginning with the Rubber Soul and Revolver albums, the band pioneered new techniques and sounds that included alternative instruments, planned feedback, backwards guitar, heavy echo, and variable-speed recordings. Instead of replicating the formula that made them so

popular just two years prior; they stopped touring and started developing their song writing - allowing their imagination to manifest in new music and techniques. This was the dawn of The Beatles musical identity.

The Beatles also revolutionized the distribution and sale of records by putting two “A” side songs on the A and B sides of their singles. Prior to this, record companies kept “A” songs for the A side and left musical fluff for the B side, and it was unheard of for two amazing songs to appear on one 45 rpm record. At the core level this cemented Beatles fans as loyal record buyers because of the great value offered. They were able to exert more control on the quantity and quality of how their songs were distributed, which songs went on albums, and which ones were released only as singles; impact and influence not previously afforded to any artist or group.

In 2006, the Beatles upped the innovation quotient by partnering with Cirque du Soleil and creating the show “Love”; rock opera meets Vegas. Innovation, integration, synergy, leverage - this partnership captures it all. “Love” combines the re-produced and re-imagined music of the band with an interpretive, circus-based artistic and athletic stage performance. It opened up new avenues for artistic expression and led the way for Cirque to partner with the estates of Elvis Presley and Michael Jackson, and to create thematic productions based on their music. Additionally, the partnership diversified the Beatle fan base, reaching new and younger crowds. “Love” has become one of the premiere shows in Las Vegas and will undoubtedly be a lucrative source of income for many years to come.

In 2009, they collaborated with a video game company and released the multi-million dollar selling Beatles Rock Band video game. The game helped create new levels of connectivity with both current and future generations of music buyers on a gaming level. You know the strategy to secure incredible brand recognition and market penetration has worked, when a 6 year old knows the names and the songs of a band from the ‘60s.

The Beatles also embraced social media. Yes, the most famous musicians in the last 50 years have Facebook and Twitter accounts as part of their business marketing and promotion! They realized that being famous, successful, and rich is not enough, and that a brand cannot rest on past successes. Successful brands must embrace the present and the future by communicating and connecting in the new languages of the young, upcoming consumers.

BUSINESS SUCCESSION AND CONTINUATION

The break-up of the Beatles as a nasty process, illustrates the importance of succession planning and the need for a properly drafted shareholder's agreement. Following Brian Epstein's death, band members were in need of legal and financial advisors and leadership. There was no one in place nor qualified to handle the then multi-million dollar business enterprise, on behalf of the band.

Tensions had been high in the band since 1966. John had started his relationship with Yoko and was becoming ever more distant to all things associated with being a Beatle. In 1969, McCartney married Linda Eastman, whose father and brother, incidentally, were publishing lawyers. Paul suggested them as representation for the band. John Lennon saw this as Paul trying to get more control, and insisted the rest of the band have separate representation.

During the sale of the band's publishing company, and the looming collapse of the band's self-started record label, Apple Records (largely due to the poor deals resulting from Epstein's inexperience in entertainment law and accounting), the two representation teams developed an increasingly hostile relationship. The remainder of the band began to see Paul as actively trying to steal ownership of the Beatles by making what were, by independent reports, simply good business decisions. The lawsuit to dissolve the legal entity, the Beatles, lasted until 1975; five years of unnecessary legal wrangling.

RETAINING QUALIFIED PROFESSIONAL ADVISORS

In 1968, the Beatles lost the legal rights to collect royalties and licensing fees from their songs, when they were outbid for control of the catalogue by ATV Music Publishing. They lost these rights because they failed to seek out advice from a specialist professional.

The Beatles had relied on Brian Epstein for legal and financial advice. Brian in turn relied on his father a successful furniture store owner/operator for advice on financial decisions regarding the Beatles. While Epstein Sr. may have been a successful businessman, he was out of his depth in advising on entertainment contracts.

Had the Beatles sought the advice of an entertainment lawyer before setting up the Northern Songs publishing company in 1963, they might have amassed more net worth today. This unfortunately was a partnership where they unwittingly signed away the majority interest in their songs; an oversight that has cost them millions in lost income over the years. In addition they had to pay others for the rights to sing the songs they co-wrote as members of the Beatles.

Having a team of professional advisors firmly in place in the early stages of a business can prevent a lot of pain and suffering, especially when it takes off and becomes a billion dollar brand. In 2016, McCartney and John Lennon's estate will regain control of the publishing rights to the Beatles' catalogue of more than 250 songs, thanks to a clause in the U.S. Copyright Act. This means, beginning in 2016, Lennon & McCartney will be able to collect royalties and licensing fees for songs they wrote as members of the Beatles.

CONCLUSION

The Beatles are an example of a business brand that, 50 years after it first started in the US, has survived and is still flourishing; earning millions of dollars for each of its members. Even though the band broke up in 1970, they continue to outsell and earn more than most contemporary musicians. From 2000-2010, The Beatles' compilation album, "1," a collection of chart-topping singles, sold 11.5M copies in the U.S., approximately 31M copies Worldwide, and has become the best-selling album in America and Worldwide.

The Beatles are also a great example of synergy, intuition, innovation, and integration. They revolutionized the music business with innovative songs, ideas, and recording processes, and were cited as an important catalyst in the development of social change. They made mistakes, had personality clashes in the membership, and went down in flames and lawsuits.

Yes, it's a hypothetical "what if", but the story of The Beatles underlies some valuable business lessons. Just imagine how much more powerful and successful The Beatles brand would have been if proper advisors and business succession and continuation planning had been put in place back in the early '60s. Yes, we know the music business was different in the 60's, but what if?



www.theintuerigroup.com

To have a deeper conversation about how this subject will affect your business, please contact:

Mandie La Montagne MA, CHRP
CERTIFIED HUMAN RESOURCES PROFESSIONAL & BUSINESS CONSULTANT

mandie@theintuerigroup.com

C: 604 644 0177

Sean Farrell BA, CFP, CHS
CERTIFIED FINANCIAL PLANNER & BUSINESS CONSULTANT

sean@theintuerigroup.com

C: 604 760 7205