Magical Mystery Tour: Failures From The Beatles’ Self-Managed Era and Lessons for Today’s DIY Musicians

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Abstract
Managing a band can be a full-time job. If it’s the biggest band in the world, the job is even harder. So what happens when the members of the biggest band in the world decide to manage themselves? This paper looks into the 21-month period in which the Beatles oversaw their own business affairs and explains their mistakes and broken philosophies. From the creation of Apple Corps as a means of shielding the group from individual tax burdens to the ultimate selection, by three members, of Allen Klein as their new manager, today’s DIY (do-it-yourself) artists are exposed to valuable lessons.

Keywords: Beatles, John Lennon, Paul McCartney, George Harrison, Ringo Starr, Richard Starkey, Magical Mystery Tour, Allen Klein, managing the Beatles, Beatles managers, music business management, business lessons from the Beatles

Introduction
The Beatles, comprising John Lennon, Paul McCartney, George Harrison, and Ringo Starr, are arguably the most popular musical group of all time. Based upon music sales, cultural and musical influence, and posthumous interest (Lennon and Harrison are dead), one can argue that the Beatles have meant more to popular music than Benny Goodman, John Coltrane, or Elvis Presley. This doesn’t mean the Beatles themselves were infallible. As artists, they were close to infallible. But as businessmen, their poor decisions and lack of experience clearly showed their weaknesses as individuals and as a group.

The purpose of this paper is to describe the mistakes the Beatles made in the era between the death of their manager, Brian Epstein, in August 1967 and May 1969 when John Lennon, George Harrison, and Richard Starkey (but not Paul McCartney) contracted the services of a new manager, Allen Klein.

While this 21-month period was a musically creative whirlwind for
the band, it was also the beginning of its demise. From egos to depression, personal growth to poor communication, drugs, ignorance, passing whims, and general lethargy, this stretch of time taxed these four men in more ways than they could understand. When it was over, Klein presided over a disbanded collection of individuals who proceeded to sue and counter-sue each other (and Klein) for years.

Today’s DIY (do-it-yourself) musician culture can learn more from the Beatles than how to write, arrange, and record a memorable song. This study will delineate those lessons so musicians and artists can learn from the blunders and misjudgments made by the most popular musical group of all time.

The Brian Epstein Years

Trivial Pursuit fans and hardcore Beatles purists probably know that the first manager of the Beatles was not Brian Epstein, the son of a furniture shop owner and operator of NEMS, Liverpool’s biggest record store.¹ The band’s first manager was Allan Williams, “a hard-drinking figure who flourished on the fringes of Liverpool’s rough-and-tumble night life.”² Williams booked early gigs for the Beatles, the most important being their first lengthy stay in Hamburg, Germany, at the Indra club and then the Kaiserkeller.³ After the Beatles were deported for working underage, Williams helped obtain work permits for the group in early 1961.⁴ The group returned to a residency in Germany at The Top Ten Club, playing six to seven hours of music each night.⁵ Williams stayed loosely in touch but ceased running the group’s affairs.

Upon the band’s return to Liverpool, they began playing lunchtime concerts at The Cavern Club. Sporting new haircuts fashioned by former bassist Stuart Sutcliffe’s girlfriend, Astrid Kirchherr,⁶ and a live performance style honed from hundreds of hours playing in front of what Paul McCartney described as “fat Germans,”⁷ the group soon earned the attention of Brian Epstein in October 1961. Epstein didn’t fall in love with the music he heard, but he did sense something special among the foursome. He considered managing the group and asked the opinion of Williams, who suggested they’d ultimately let him down,⁸ especially since the Beatles still owed Williams commission for the Hamburg shows.⁹

Regardless of what Williams thought, Epstein decided to forge his own path. “They are awful, but I think they’re fabulous,” he said.¹⁰ The awfulness to which he was referring was the band’s attire, including black
leather jackets and high black boots.

When Epstein explained his intentions to the band, there was initially no contract. He was a twenty-seven year old, well-dressed Jewish man with what the group thought was a wealthy background. Based upon the band’s lower to lower-middle class backgrounds, Epstein’s station in life meant something. He met with them a few times, including once with their families. When he finally told the band he wanted to manage them, the answer came from John: “Right then, Brian,” he said. “Manage us.”

The job of a personal manager means “being responsible for every part of the artist’s career… twenty-four hours a day, seven days a week. It involves making decisions you and your artist can live with and developing a trusting relationship. It’s a relationship that matures over time and grows out of mutual respect.”

Epstein’s association with the Beatles spanned the next six years, up until his death. There would be millions of dollars made and lost. There would be lawsuits and settlements, blackmail and backlash. Nonetheless, the association between Epstein and the Beatles was tremendously important. Epstein shielded John, Paul, George, and Ringo from outsiders, from their own gaffes, and let them do what they did best: write, sing, perform, and record. While the Beatles became, as John Lennon once said, “more popular than Jesus,” it was Epstein who got the group members their first record deal, their first merchandising deal, their movie deal, and their incredibly important and historic appearances on The Ed Sullivan Show. Without Epstein, the music of the Beatles may have never been heard outside of Liverpool.

Their Magical Mystery Tour

When Epstein died in 1967, the Beatles were basking in the glow and adulation from the release of their album Sgt. Pepper’s Lonely Hearts Club Band. The group had given up touring in 1966, so there had not been as much for Epstein to do over the past year. He was depressed from losing touch with the group. There was also the potential that the Beatles might not renew their management contract with Epstein and NEMS, scheduled to end in October. An addiction to pills and the recent death of his father ultimately led to Epstein’s overdose on August 27th.

Four days after Epstein’s death on September 1st the group got together at Paul McCartney’s house “to assess their situation.” They decided to manage themselves “under the umbrella of NEMS for the time
being, but with the clear intention of forging ahead with the formation of Apple Corps.” The group agreed to let Epstein’s brother Clive run their affairs until the end of their agreement before taking the reins themselves. However, the Beatles specifically did not want anything to do with Brian Epstein’s business partner, Robert Stigwood, who would famously leave NEMS (which had evolved from record store to successful artist management company) and bring the Bee Gees, Jimi Hendrix, and Cream with him as part of his departure deal.

The first project the Beatles undertook in the post-Brian Epstein era would be the first time the Beatles would fail. In a documentary called The Compleat Beatles, author Nicholas Schaffner said, “They now had nobody to say no. Had Brian lived, they might not have listened to him anyway.”

While the Beatles had misstepped in the past, such as with Lennon’s controversial “more popular than Jesus” comment in 1966 that led to album burnings and empty concert seats, Epstein had always been there to pick up the pieces and save face. With their manager and protector now gone the Beatles no longer had that safety net. Considering that they’d scored fourteen number-one singles in the United States up to that time, sold tens of millions of albums, generated revenues in the hundreds of millions of dollars, and, in general, had been able to do whatever they wanted, whenever they wanted, with virtually whomever they wanted, for the past three-and-a-half years (at least since their famed Ed Sullivan Show triumph in February 1964), the existence or need of a safety net probably never crossed their collective mind. They were The Beatles. They were flawless. And, if they truly believed they were more popular than Jesus, they may have even thought they were as close to God-like on Earth as anyone could be. Considering all this, it made perfect sense from their perspective to take direction from no one but themselves.

In an email exchange between the present writer and Peter Doggett, the author of You Never Give Me Your Money, a definitive journey through the Beatles’ business dealings after the group’s breakup, he offered his opinion on why the Beatles elected self-management:

They had succeeded at (almost) everything else they had done up to that point, with increasingly minimal input from Brian Epstein as his personal life declined. It was an era of boundless hope and optimism, and the Beatles—as the world’s most successful entertainers and compos-
ers—assumed that their collective glow would dazzle any section of society at which it was aimed. I’m sure that by the summer of 1967 they felt that they were already effectively managing themselves, so why should Brian’s death make any difference? 22

During the aforementioned September 1st band meeting, McCartney described his idea for an hour-long television film and accompanying soundtrack called *Magical Mystery Tour.* 23 This film, to be scripted, produced, and edited by the band, would follow them as they took a bus ride through the English countryside, accompanied by “a fat lady, a midget” 24 and more odd characters. Other than an aimless bus ride, nothing happened. There was “neither magic nor mystery, only poignant reminders of how things used to be when Brian Epstein looked after the travel arrangements.” 25

Besides the lack of a complete script, nobody had bothered to book time at a film studio to capture interior scenes. Originally budgeted as a four-week process—two weeks of filming and two weeks of editing 26—the process dragged on much longer than expected. Editing itself took eleven weeks, 27 the work performed separately by each Beatle, before the final film was handed over to NEMS for distribution.

Why did the Beatles effectively work alone on the project, considering they weren’t filmmakers? “They were afraid that their unfamiliarity with the medium would let some ‘expert’ take their film away from them,” author Geoffrey Stokes wrote in 1980. “Not only didn’t they know whom to trust, they didn’t know enough to trust anyone.” 28

The day after Christmas 1967, *Magical Mystery Tour* aired on the BBC to fifteen million viewers. 29 But there was one more problem nobody had thought about: while the film was shot in vivid, psychedelic colors, the BBC channel aired it in black & white.

Considering a song from the soundtrack, McCartney’s *Hello, Goodbye,* was already a number-one single in the United States, the Beatles may have thought their mess of a film would receive good reviews. It didn’t. “Appalling, naive, puffle, nonsense, contemptuous” 30 were all words used by critics to describe the film. As a result, NBC television canceled a million-dollar deal to show the film in America. 31 The magic of the Beatles as songwriters and as a band withstood the negative aspects of *Magical Mystery Tour.* “Within 10 days the album had earned $8 million in the
Beatle employee Neil Aspinall said, “If Brian had been alive, the film never would have gone out. Brian would have said, ‘Okay, we blew 40,000 pounds—so what?’ Brian never would have let it all happen.”

“Materially and emotionally they were a hundred years old,” Hunter Davies wrote in the official biography of the band, simply called The Beatles. “Intellectually they were still in many ways adolescents. Not that they wanted anyone to teach them anything…” This ignorance and the requisite egos attached to being the most famous people in the world formed a lethal combination that ultimately would tear the Fab Four apart. That and taxes.

In September 1967, after the death of Brian Epstein, the Beatles commissioned (with £100,000 of their money) a pair of Dutch artists to design a Beatle boutique. “A beautiful place where you can buy beautiful things,” said McCartney. The boutique idea was part of the band’s new corporate structure. What was originally Beatles, Ltd. had become Beatles & Co. until the latter’s name was officially changed to match with the boutique’s name: Apple.

In 1967, the Beatles sought a way to shield their income from British income tax laws. When Epstein was alive, he hadn’t wanted to direct money out of Great Britain because it was “unpatriotic.” That strategy didn’t work. Each Beatle was in the midst of getting devoured by his tax burden. In theory, Apple Corps brought financial benefits to the Beatles. “Their earnings were now subject to corporation tax rather than income tax, and they could claim back their personal living expenses from the
company,” wrote author Peter Doggett. The design of Apple Corps, Ltd. was to comprise various divisions in which the Beatles could claim some experience, like Apple Music and Apple Publishing, and some in which their experience was minimal to none, like Apple Tailoring, Apple Electronics, and Apple Retail (the division in charge of the Apple Boutique). The hiring of people for different divisions included those who could conceivably get the job done, like their publicist Derek Taylor running Apple Publicity, and friends or others who’d hitched themselves to the band based upon promises or “persuasive charm,” like Alexis Mardas, whom Lennon called “Magic Alex.” Mardas would go on to spend tremendous amounts of money in Apple Electronics and ultimately create nothing.

The Beatles used the company not only as a tax dodge but also to further their 1960s philosophy of sticking it to the man. McCartney dubbed it “Western Communism,” but rather than profit from these traditional business practices, the naive Beatles were taken advantage of by nearly everyone with whom they came in contact. “If you come to me and say, ‘I’ve had such and such a dream,’ I will say, ‘Here’s so much money. Go away and do it’,” McCartney said at a May 1968 press conference in New York City announcing Apple’s launch. “We’ve decided to play businessman for a bit,” Lennon said on The Tonight Show. At both the press conference and Tonight Show appearance, Lennon laid out the band’s vision for Apple, which also described McCartney’s “Western Communism” comment a bit more. “We’re gonna set up a system whereby people, who just want to make a film about…anything don’t have to go on their knees in somebody’s office. Probably yours.”

As Jonathan Gould wrote in Can’t Buy Me Love, “Brian Epstein had spent the better part of five years insulating the Beatles from a legion of hustlers and schemers who were eager to exploit their fame; now the two main spokesmen for the group had gone on national television in the United States to announce that they had scads of money to give away to people who had dreams.” “If someone came in off the street with an idea and they looked right and felt right and had a nice manner, they would get money given to them,” said Derek Taylor, head of publicity for Apple. “It was naive, it was idealistic, but that’s how it was.”

Apple wasted money from the start. While each Beatle could spend on his personal habits and write off the costs to Apple, employees of the new company spent wildly on lavish lunches, drugs, international (person-
al) phone calls, and opulent office furniture. “They took on some expensive luxury offices, stocked them full of fine furnishings and equipment, and naturally half the Western hippy world flocked to try to take advantage of them,” wrote Beatle biographer Hunter Davies, “…plus a few smart advisers who were supposed to be helping them sort everything out,” Davies continued. “Millions of pounds were thrown away on daft schemes, shops, businesses, pandering to eccentric notions, and strange people.”

George Harrison described the Apple period as “chaos.” He said the organization wasted huge sums of money. “It was a lesson to anybody not to have a partnership, because when you’re in a partnership with other people you can’t do anything about it (or it’s very difficult to), and at that point we were naive.” The Apple Boutique opened on December 7, 1967. Almost immediately, the establishment became known as a shoplifter’s paradise. It hemorrhaged cash. By July 1968, it had closed.

Besides losing money at Apple, the Beatles were having problems with nearly every contract they had ever signed. Problem number one was they didn’t know what they had signed. Number two? They didn’t have any copies of anything they had ever signed. “We didn’t have a single piece of paper,” Beatles road manager-turned-head of Apple Neil Aspinall said. “No contracts. I didn’t know what the contract was with EMI or with the film people or the publishers or anything at all.”

At first, the four members of the group seemed to enjoy playing businessman-with-a-twist. Apple was part of a “utopian ideal” in which “they operated in some magical dimension where their actions had no consequences.” The group had wanted Apple to represent the counterculture of the 60s. As author Peter Doggett wrote, the hope was “that the Beatles could overturn the commercial model of the music industry and the dream of enabling artists to reach the public without tangling with businessmen.” But Apple was still part of the real world. “What people don’t realize,” Ringo Starr said, “is that Apple was never really much more than an extension of [EMI label] Parlophone.” The four shareholders of Apple (John, Paul, George, and Ringo) were real people with real problems, even if they were arguably the most successful musicians of all time.

Employees of Apple realized soon enough that saving the world wasn’t something Apple could ever accomplish. “The identity crisis has to be faced up to,” one of them said in The Longest Cocktail Party. “Who are we? What are we supposed to do? Where do we go from here? If we don’t find the answer to it soon we’re going to end up like the man who
had all his clothes taken away, got locked in a rock garden, and had the key thrown away on him.”

Bad business continued at Apple. In September 1968, Apple’s chief financial adviser resigned because of “the slipshod manner in which the company was being managed.”58 Not long after, the company’s number two financial accountant, Stephen Maltz, resigned. In a letter to the group he wrote, “Your personal finances are in a mess. Apple is in a mess.”59

Meanwhile, members of the Beatles were having personal problems. John Lennon was arrested in October 1968 (with partner Yoko Ono) in his home for illegal drug possession. The following year George Harrison would be arrested on the same charge. Lennon was a “compulsive enthusiast”60 who seemed to easily fall under the spell of other people and influences, including:

- The Maharishi Yogi, an Indian religious figure: Lennon and the other three Beatles were with the Maharishi when they received word Brian Epstein had died.
- Yoko Ono, whom John would later marry: they recorded *Two Virgins* in 1968, an avant-garde album that was a commercial failure.
- Arthur Janov and his Primal Scream psychotherapy.
- Heroin and cocaine.
- Allen Klein: who would ultimately manage the affairs
of the Beatles and Apple (against the wishes of Paul McCartney) and later be sued by the Beatles and Apple.

McCartney was the workhorse Beatle, the ambitious one. He was the member of the band who worked hardest and was most focused on the group’s direction. While Lennon battled drug addiction, depression, or turned to others, specifically Ono and soon Klein, for guidance, McCartney continued learning about music, listening to music (he claimed he was the first Beatle to embrace the avant-garde, not John via Yoko Ono), and writing songs. The group had begun as John Lennon’s band, but after Brian Epstein’s death, Paul McCartney emerged as the driving force, sometimes to the consternation of Lennon and Harrison.

Harrison, the youngest Beatle, harbored animosity toward Lennon and McCartney as the years passed. George had become a songwriter, but John and Paul limited the number of Harrison-penned songs per album. Harrison also grew apart from the other three Beatles as his interests turned more spiritual, first toward the Maharishi and then toward Indian culture, music, and religion in general.

Ringo was the ambivalent Beatle, usually agreeing to what the others wanted, never one to be a bother or make a fuss. Interestingly, it was this personality trait that led each solo Beatle to work with Starr multiple times after the breakup of the band.

Philip Norman’s book Shout! includes a montage of pictures of the four Beatles covering their early success through 1969. The accompanying description states: “From Liverpool scufflers to conventional Pop idols; from sleek millionaires to psychedelic bandsmen; from lank-haired hippies to trinket-bedecked Caesars, their Empire dissolving around them.”61 “Nobody at Apple had any business sense at all,” singer/songwriter James Taylor said.62 Taylor had been signed to Apple but was released from his contract upon the arrival of Klein to the company. “No one was in charge,” wrote Doggett.63 “Everyone had their own autonomy, and all of it cost money.”

Richard DiLello was the designated “House Hippie” at Apple Corps from 1968 through the closing of the press office in August 1970. His book The Longest Cocktail Party chronicles “the wild rise & fall” of the Beatles and their “million-dollar Apple empire.”64 He described the spending and lack of accountability: “Do you realize the liquor bill alone is now up to six hundred pounds a month! Just on booze! And how much food do you
think that kitchen turns out a month? I’d say their bill is pretty close to what we spend on liquor and that’s just in-the-office entertaining…And the traveling expenses! Who’s taking all those flights to Paris and London and America? The phone bill! Sometimes it’s four thousand pounds a quarter! No one around here has *that* much to say. Every time you turn around there are at least half a dozen people on the phone who don’t even work in the building.”

In the meantime, the Beatles had lost control of a lucrative source of revenue, their publishing. Northern Songs, the publishing company which held ownership of their copyrights, was run by a former musician and song-plugger named Dick James. At first, the 100 shares of Northern Songs was broken up like this: John and Paul (20 shares each), Epstein (10 shares), and James and his partner, Charles Silver, (50 shares). This arrangement was not clear to Lennon and McCartney, who thought they owned the whole company. Unfortunately, neither man had read the contract that Epstein had given them to sign. “We had complete faith in him [Epstein] when he was running us. To us, he was the expert,” Lennon said. Meanwhile, the pair had never even met Charles Silver, a man with whom they were now partnered.

As a way to avoid capital gains tax in 1965, Northern Songs went public. After the offering, Lennon and McCartney each owned 15% of the company. Epstein/NEMS owned 7.5%. James and Silver owned 37.5%. Harrison and Starr shared 1.6%. This added up to 76.6% of the company, meaning just under 25% of Northern Songs was owned by other interests, mainly financial institutions.

After Epstein died, Lennon and McCartney tried to renegotiate their ownership stakes with Dick James. The meeting went poorly. In 1969, James and Silver suddenly sold their concern in Northern Songs to ATV Music. Lennon and McCartney were not offered a chance to purchase the 37.5% that had been sold. (In fact, it has been speculated that James and Silver sold out because they were nervous about the band’s new relationship with Allen Klein.) After an inability to woo other financial institutions to their side for the purposes of an ATV hostile takeover, Lennon and McCartney eventually sold out to ATV for $5.738 million.

The wild expenditures and losses continued at Apple leading Lennon to disclose in January of 1969: “We haven’t got half the money people think we have. We have enough to live on but we can’t let Apple go on like it is…It doesn’t need to make vast profits but if it carries on like this
all of us will be broke in the next six months.”73 “Apple was a disastrous business decision coming as it did from young men who in some respects, didn’t know what the hell they were talking about in a business sense,” says Dr. Mike Broken, Senior Lecturer of Music at Liverpool Hope University.74

Apple Corps was indeed a tangled mess. Besides the internal, out-of-control spending and the ongoing dispute with Northern Songs, the Beatles also tried to purchase their share of NEMS from Brian Epstein’s surviving brother, Clive. The NEMS/Beatles contract called for the company to forever take a commission off the top of Beatles royalties before the group saw anything. While Paul McCartney argued that his future father-in-law, Lee Eastman, should help the group get through the disputes, Rolling Stones manager Allen Klein had successfully won over John Lennon and Yoko Ono. With two teams of advisors, the problems got worse.

Without Lennon’s knowledge, McCartney had been purchasing additional shares in Northern Songs. During the hostile takeover attempt, Eastman advised McCartney “not to add his block of shares to Lennon’s as collateral for the loan the Beatles needed for the takeover bid.”75 When Lennon found out about McCartney’s behind-the-back maneuvers, he went into a rage. At that point, Lennon was able to get Starr and Harrison to officially turn away from Lee Eastman. On May 9, 1969 Allen Klein officially became the new manager of the Beatles.

Figure 3. 1969 timeline of the Beatles’ self-managed era.

Unfortunately, Klein had only won three of the Beatles. Paul McCartney would not sign the management agreement Klein submitted to the
group. Klein wanted 20% of an increased royalty rate should he be able to negotiate a new deal with the Beatles’ record company EMI (not 20% of the full rate, just 20% of the increase over the previous rate). He would also claim 10% of Apple Records’ gross income.77

There was an ambiguity which Starr questioned. If Klein took both his 20% of the increased royalty and the 10% of Apple Records’ income he would, in effect, earn commission in two ways. The attorney handling the contract on behalf of the Beatles, Peter Howard, reassured “that both sides had agreed verbally that the Beatles’ royalties would not qualify as part of Apple Records’ income.”78 After the band broke up and the lawsuits began, Klein was accused of taking commissions in both manners. Meanwhile, McCartney felt Klein should only receive 15% of the increased royalty rate. “I said, ‘He’ll take 15 per cent. We’re massive, we’re the biggest act in the world, he’ll take 15 per cent.’”79

The slick Klein, however, was able to convince the other three Beatles to stick to the terms they’d agreed to (before McCartney’s objections). Because the Beatles were really a company at this point, Apple Corps, and not a band, only three directors of the company were needed to approve the deal. Even without McCartney’s signature, Allen Klein was still able to state he was now the manager of the biggest band in the world. The Beatles’ self-managed era was over.

Lessons For Today’s DIY Musicians

The members of the Beatles were not astute business people. They had neither the patience nor the acumen to make smart decisions. Their combination of naiveté and massive ego led them down a path that ultimately cost them millions of dollars and years of lawsuits, stress, and bad press. If today’s do-it-yourself musicians follow the lessons below, they’ll understand more about the music business than the Beatles did, which will hopefully save money, heartache, and time.

1. Become Educated

The Beatles made some classic music business mistakes. They signed contracts without lawyers and didn’t know what they were signing. They didn’t keep copies of the contracts they signed. They trusted their manager to a fault, not fully comprehending how inexperienced he was. This, in itself, cost the band millions of dollars when Brian Epstein signed a merchandising agreement with a company called Seltaeb (Beatles
spelled backwards).

In 1963, Epstein signed a deal with Nicky Byrne to “exclusively look after merchandising interests on behalf of”\textsuperscript{80} Epstein and the Beatles. Epstein’s giant mistake was signing an incredibly lopsided deal giving NEMS and the Beatles 10\% of the merchandising sales, leaving 90\% for Byrne and Seltaeb. Once it became clear to Epstein that he had made such an egregious error, he kept it from the band.\textsuperscript{81} Ultimately, between lawsuits, cancelled orders (once the lawsuits between Epstein and Byrne began, Woolworth’s and J.C. Penney, among others, cancelled orders worth $78 million),\textsuperscript{82} and lost commissions, “the court case and its effect was estimated to have lost NEMS and the Beatles $100,000,000.”\textsuperscript{83}

The Beatles also made the mistake of creating a company, Apple Corps, before having any experience in anything other than writing and performing music. “There were only a few of us at Apple who knew anything about the record business,”\textsuperscript{84} former Apple publicist Derek Taylor said. “The Beatles certainly didn’t. When they were struggling, they just knew it as something that said no to them, and then when they were big, they knew it as a thing that didn’t know how to say no to them.”\textsuperscript{85} “Even though the group itself wasn’t signed to Apple, they did end up bearing the financial costs of Apple’s failure in a very personal way,” says author Peter Doggett.\textsuperscript{86}

As the band sunk into the Apple abyss, they did little to help themselves. Lennon was described as “ignorant about business, and not interested in adding to his knowledge.”\textsuperscript{87} Thus, when it came time to sign a management contract with Allen Klein, Lennon’s “compulsive enthusiast”\textsuperscript{88} characteristic reared its ugly head once again. “One of the Beatles’ legal advisers said it would be crazy for any artist to sign such a deal.”\textsuperscript{89} Yet, Lennon was all-in for Klein and was able to convince Starr and Harrison to sign as well. The abyss was now even deeper (and more costly).

2. Have Patience

There were two pivotal times when patience could have claimed the Beatles many millions of dollars and potentially saved them from themselves. The first was when the group was organizing the hostile takeover of ATV in order to retain control of their publishing. The Beatles had successfully organized a consortium of bankers who owned outstanding shares of Northern Songs to come to their side. As part of the agreement, Allen Klein put in writing that he would not “try to meddle with the company’s
The Beatles agreed to extend their songwriting contract beyond the existing 1973 date. And the board of the company would have a new chairman who was appealing to the bankers.

Negotiations had dragged on for more than seven weeks. ATV was on the ropes, “ready to concede defeat.” Lennon, however, ran out of patience for the process and publicly insulted the very bankers he was trying to appease, claiming they were going to try to influence his music. Unfortunately, the timing was bad and Lennon’s choice of expletives even worse. The consortium flipped their allegiance to the ATV side. The Beatles had effectively lost.

The second time patience could have saved the Beatles was when John, George, and Ringo signed the management agreement with Allen Klein. Paul had wanted more time to have his lawyer look it over. At first, the other three were in agreement with this. But Klein insisted that he needed the contract signed immediately. John, always the first to change his mind, pushed George and Ringo to sign. “The others, John especially, had lost patience with Paul’s ‘stalling.’”

What followed was a three-year agreement in which Klein managed three members of a band on the verge of separating. One could argue that the three signing with Klein would prove to be the last straw. Within a year, Paul was suing the other three Beatles and Klein to dissolve his end of the partnership. Apple Corps would eventually sue Klein on behalf of John, George, and Ringo. Ultimately, the three who lacked patience lost the most in their settlement with Klein, a settlement that occurred years after the Beatles had broken up.

3. Create a Thorough Intra-Band Agreement to Resolve Future Conflicts

Everybody is best friends when a band first gets together. That’s the best time to create an agreement that protects each member of the band from each other. The agreement explains who owns what when it comes to publishing and who gets how much when it comes to revenue from recording, touring, merchandise sales, and other potential revenue streams.

Aaron Van Duyne, currently the business manager for the Dave Matthews Band, KISS, and 3 Doors Down, suggests that every new band follow five steps to overcoming future conflict and litigation.
1. Select the kind of business structure for the band
2. Agree upon the ownership level of each member
3. Put together shareholder/operating agreements
4. Decide how to get out of a band (if somebody wants to quit or band members want to kick someone out)
5. Agree on songwriter splits (who wrote what, and who owns how much of each song)

In the early Epstein years, the Beatles apparently did have an agreement that included portions of these five steps. “The Artists jointly and severally agree that should two or more of them desire to remove one or more of the other Artists, then with the consent in writing of the Manager they shall give notice in writing by registered post.”95 But as the group grew in stature and went from simple pop quartet to complex multimillion dollar company, the agreement never changed. This connects strongly with Lesson Number Four below.

4. Understand Each Other

When the Beatles first got together, they wanted to be pop stars. Brian Epstein pledged that they’d be bigger than Elvis. All their dreams came true. Then what happened? As the four Beatles grew older, each group member matured differently:

- Harrison became a formidable songwriter and wanted more of his songs on Beatles albums (he’d been allotted one per album for years). He also turned toward Indian influences, such as sitar-based music and the Hindu religion.
- Lennon met Yoko Ono, divorced his wife, and morphed into an avant-garde artist (just like Ono), focusing his efforts away from music toward performance art, like “bagism,”96 and different causes.
- Ringo Starr began acting a little and drinking a lot. The nightlife slowly took hold of him to the point where he would eventually, over a decade later, need to admit himself into an alcohol and drug rehabilitation facility.

Only Paul stayed consistent, focusing on the group. As John lost in-
terest in the Beatles, Paul listened to different kinds of music, honed his craft, and tried to keep the group moving in the same direction. “John was always a bit fidgety and restless, ‘yeah, that’s good enough, a couple of takes, yeah, that’s fine’ but Paul could hear certain refinements in his head which John couldn’t,” said Beatles studio engineer Geoff Emerick. This became a problem. John had always been the unspoken leader of the band. Depression, drugs, Yoko, and outside influences took away Lennon’s attention. McCartney, while no saint when it came to drinking or drugs, remained focused on the group. As he became the de facto leader of the Beatles, the other members gradually came to resist Paul’s leadership. Harrison became especially upset with McCartney. During a famous scene in the film *Let It Be*, George is heard bickering with Paul about a particular guitar part. An annoyed Harrison says, “I’ll play whatever you want me to play, or I won’t play at all if you don’t want me to play. Whatever it is that will please you, I’ll do it.”

Each member of the group was changing. Rather than discuss their individual issues, they tried to pretend everything was as it always was, even if Yoko Ono was now in the studio laying down on a bed, pregnant and recuperating from a car crash she, Lennon, and their respective children had been in while on holiday in Scotland—even if McCartney, in a silent, passive-aggressive response, brought his new girlfriend to the studio sessions—even if Ringo and George took turns quitting the band for short periods of time.

Such massive success at such a young age eventually led to the group’s downfall. They never learned to communicate properly with each other. With so much resentment building up over the group’s final two-and-a-half years together, culminating in the twenty-one months when they managed themselves, many critics and historians are surprised that the Beatles continued to release amazing music (Table 1).

<table>
<thead>
<tr>
<th>Album</th>
<th>Release Date</th>
<th>Status</th>
</tr>
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<tbody>
<tr>
<td>Magical Mystery Tour</td>
<td>November 27, 1967</td>
<td>Reached #1</td>
</tr>
<tr>
<td>The Beatles</td>
<td>November 25, 1968</td>
<td>Reached #1</td>
</tr>
<tr>
<td>Yellow Submarine</td>
<td>January 13, 1969</td>
<td>Reached #2</td>
</tr>
<tr>
<td>Abbey Road</td>
<td>October 1, 1969</td>
<td>Reached #1</td>
</tr>
<tr>
<td>Let It Be</td>
<td>May 28, 1970</td>
<td>Reached #1</td>
</tr>
</tbody>
</table>

Table 1. Albums recorded by the Beatles during their self-managed era.
Amazing music wasn’t enough. Even though Allen Klein was destined to manage the Beatles, what he managed was the band’s breakup, not its heyday.

5. Shop Around for Guidance, Then Listen to the Advice

By the summer of 1968, it had started to dawn upon the members of the Beatles that maybe Apple and its “Western Communism” ideology wasn’t going to work. “I was getting fed up with the Beatles by that time,” George Harrison said later.101 Ringo “had never wanted to be a businessman in the first place,”102 and Lennon had become transfixed with outside influences like drugs and Yoko Ono.

McCartney took it upon himself to meet with Sir Joseph Lockwood, the head of their British record company, EMI. Lockwood introduced Paul to Lord Oliver Poole of Lazard’s, one of Britain’s strongest banks. McCartney, Lockwood, and Poole met for lunch where Paul explained the situation at Apple. “At the end, Lord Poole said, ‘I’ll do it. And what’s more, I won’t charge you anything,’” said Lockwood.103 “The head of Lazard’s was offering to sort out Apple, for nothing! But the Beatles didn’t bother to follow it up.”104

One other highly respected businessman at the time, Lord Richard Beeching, was approached (accounts differ as to whether it was John or Paul who met with Beeching) to help sort out the chaos. While unavailable to get directly involved, Lord Beeching offered this advice, “Get back to making records.”105

The Beatles were given specific advice about Allen Klein. “I did give the Beatles certain solemn warnings,”106 their publicist Derek Taylor said. “I told them to ask around, and said that he had voracious reputations, that he might get them a good financial deal, but might not be someone you want to take home to your mother.”107 What the Beatles didn’t realize was that Klein treated business like war. He would not stop until either he won or the battlefield was no longer capable of supporting human habitation. If they’d spoken to former Rolling Stones manager Andrew Oldham, they would have gotten some keen advice about Klein. “He started out representing us and ended up owning us,” said Oldham.108

“Even the most naive business manager would surely have encouraged them to erect some kind of corporate structure for Apple which would ensure that most of its finance came from outside the group,” says Doggett.109 “That in turn would have given Apple a security which might
have enabled it to succeed as a utopian capitalist concern, rather than simply draining away their musical earnings.”

Modern-day artists need to know not only when to ask for advice, but also to listen so they understand what’s being said, who said it, and how they should follow up. Mistakes like the Beatles made in this category will prove to be a waste of time for both the artist and those from whom advice comes if the lesson isn’t followed.

6. Work With The Surrounding Talent

The Beatles had amazing opportunities through Apple to be involved in the careers of Cream; Jimi Hendrix; the Bee Gees; James Taylor; Fleetwood Mac; Crosby, Stills & Nash; and more. In the case of Cream, the Bee Gees, and Hendrix, NEMS had been partially owned at the time of Brian Epstein’s death by Robert Stigwood, who had merged his management company with Epstein’s in January 1967. But after Epstein died, the Beatles wanted nothing to do with Stigwood. “We said, ‘In fact, if you somehow manage to pull this off, we can promise you one thing. We will record ‘God Save the Queen’ for every single record we make from now on and we’ll sing it out of tune. That’s a promise. So if this guy buys us, that’s what he’s buying.’” Stigwood was forced out of NEMS, but not before he had negotiated taking “£500,000 plus half of the NEMS artist roster—among them the Bee Gees, Cream, and Jimi Hendrix—to set up, with spectacular success, on his own.”

Had the Beatles thought like business people and taken their emotions out of the situation (Stigwood was a very divisive figure), they might have been able to cut a deal with NEMS/Stigwood. It might have been monetary: for example, the Beatles might have arranged to receive a percentage of the royalty for each album sold by Stigwood groups. Or the deal might have been built around the Beatles as artists: they might have produced the Bee Gees, or had the groups record Beatles songs (of course, this was before the Beatles lost rights to their publishing). Or each group might have been signed to Apple, giving the members of the Beatles additional revenue streams.

Once Stigwood was gone, Apple and its head of A&R, Peter Asher, signed James Taylor, who would go on to eventually sell millions of albums for Warner Bros. and Columbia Records. Members of Fleetwood Mac and Crosby, Stills & Nash tried to get signed to Apple. Upon the emergence of Allen Klein, Asher was fired, Taylor cut, and Apple refrained from sign-
ing new artists. Considering the tremendous success of these artists in the 1970s, imagine how much revenue Apple might have earned had it signed and curated these careers. The group’s dislike for Robert Stigwood got in the way of opportunities. If the Beatles had understood how much talent surrounded them, they would have grown both artistically and financially.

Conclusions

In today’s do-it-yourself world of music, there is a fine line between being an artist and being a business person. While musicianship and creativity are paramount to success, the mistakes the Beatles made prove musicianship and creativity aren’t enough. One must have a firm grasp of basic music business principles in order to earn a living.

“The best artists I deal with are the ones that are the best business people,” says business manager Aaron Van Duyne.114 He doesn’t like to deal with artists who, “stick their head in the sand and say, ‘You do it.’ They should understand what a record royalty means, a publishing royalty, the performance rights societies. These people should be somewhat educated. It’s better if they are.”115

The Beatles began their careers as novices in the business side of the music industry. Granted, the industry was archaic and their musical output spawned templates for much of today’s industry, but the group members never took the time to educate themselves. For a period, they played the roles of businessmen with Apple Corps. It was folly for John, Paul, George, and Ringo—something that meant a lot for a short while until it became a burden that would eventually contribute heavily to the band’s breakup.

“There is an issue concerning hubris that runs through this entire period of the Beatles’ latter stages that cannot be ignored in any decision they made—whether that be to do with thinking that because they had made recordings they ‘knew’ about production [e.g., Let It Be], or because they had made films they could then ‘direct’ [e.g., Magical Mystery Tour],” says Liverpool Hope University’s Dr. Mike Brocken. “So, it seems credible to me that such aforementioned hubris would also suggest that they also thought that because they had effectively been involved in the music business, they could also be businessmen and make business decisions.”116

If the group had learned from their own mistakes, years of expensive post-breakup lawsuits and creativity-stunting arguments, plus the inherent broken relationships, might have been avoided. Authors Richard Court-
ney and George Cassidy write in their book, *Come Together – The Business Wisdom of The Beatles*, “Be cautious about entering new markets and don’t get too clever with your tax strategy! You cannot completely avoid trouble, but you can minimize self-inflicted injuries. Get professional, objective, third-party help in all of these cases to make sure you don’t lose the farm.” Today’s DIY artists should not just study the music of the Beatles to influence their careers. They should learn from the band’s mistakes as well.
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3. Ibid., 20.
4. Ibid., 24.
5. Ibid., 25.
6. Ibid., 34.
7. Ibid., 21.
8. Ibid., 42.
11. Norman, Shout!, 176.
13. Ibid., 332.
15. Ibid., 373.
17. Ibid., 438.
18. Ibid., 386.
19. Ibid., 387.
20. The Compleat Beatles, Film, directed by Patrick Montgomery (Delilah Films, 1982).
22. Peter Doggett, interview by David Philp, June 2015.
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25. Ibid., 392.
27. Ibid., 393.
29. Ibid., 394.
30. Ibid., 211.
31. Ibid., 211.
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76. Ibid., 82.
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78. Ibid., 84.
79. Ibid., 85.
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88. Ibid., 120.
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90. Norman, *Shout!*, 464
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93. Ibid., 465.
102. Ibid., 54.
104. Ibid., 439.
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