

Fyre Festival: The Party That Never Got Started

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ABSTRACT: The Fyre Festival was the brainchild of promoter Billy McFarland. McFarland had promised to present an “exclusive” lifestyle, two weekend, music festival in the Bahamas during the spring of 2017 that would have top named musical artists and famous celebrities attending the event. The festival was promoted by famous social media influencers who were paid up to \$250,000 for a single endorsement. The customers, who were convinced that this was “the party” to go to, were willing to pay thousands of dollars in order to receive “exclusive” VIP treatment. The promises by McFarland included staying in a luxury villa and receiving gourmet meals. When the customers arrived at the festival site the day before the festival was to start, they discovered that there were no luxury villas and their accommodations were emergency tents left over from a hurricane. Their first “gourmet meal” was a prepackaged cheese sandwich in a Styrofoam container. It was evident from the beginning that McFarland and all of his employees who were organizing the festival knew that it would be a failure and that it would be impossible to provide the services that were being promised to the customers. This article discusses the role of fraud, celebrity status, and social media influencers in the promotion and the failure of the Fyre Festival. In addition, the role of Billy McFarland is discussed in light of the Fyre Festival being just one event in his questionable ethical career as an entrepreneur.

KEYWORDS: *Fyre Festival, Fraud, Social Influencers, Billy McFarland, False Advertising*

I. INTRODUCTION

The Fyre Festival was promoted to be the millennial’s Woodstock. The proposed two weekend festival was going to recalibrate the expectations and experiences of those guests fortunate enough to be able to attend. Slated for the weekends of April 27 to April 30 and May 5 to May 7, 2017, the festival never happened. Founded by rapper Ja Rule and 25-year-old entrepreneur Billy McFarland, the Fyre Festival had been promoted as one of the most exclusive festivals ever organized. On the first day of the festival, April 28, 2017, it was announced that the festival had been cancelled.

The promoters of the Fyre Festival had promised that famous models would attend with social media icons. On an island that the promoters stated was once owned by Pablo Escobar, the Fyre Festival was going to be the hippest party on the planet. The promoters had also promised “first-class culinary experiences and a luxury atmosphere” with musical performances by Blink-182, G.O.O.D. Music, Major Lazer and others[1].

The Fyre Festival was a continuation of Billy McFarland’s vision of blending marketing hype, connections with celebrities and the ability for “ordinary people” to have access to an exclusive, luxury-based lifestyle. The origins of the vision first started with McFarland’s introduction of the Magnises card.

II. BILLY MCFARLAND AND MAGNISES

Billy McFarland was driven to become wealthy and to be able to interact with celebrities. His belief of receiving preferable treatment and making money providing this treatment to others was the foundation of his creation of the Magnises card. Billy McFarland wanted the status and buying power of owning a Centurion (black) American Express Card. American Express invites cardholders to have a black card if they annually spend at least \$250,000. Therefore, in 2013, McFarland started working on the idea to develop a new type of credit card that would have the same level of status as the black American Express card.

McFarland believed that 20-somethings were potential customers who would also want to have a credit card with instant status. He created the Magnises credit card to serve that customer need. McFarland made the first prototype of the Magnises card by adding a magnetic strip to a blank metal card without demagnetizing it so that the data from the magnetic strip would not be erased. McFarland found a supplier in China that could embed the magnetic strip onto the metal and, therefore, he created his own version of the black card.

The tangible competitive advantages of the Magnises card were the promised perks to the cardholder. The cardholder will have access to “24/7 concierge, special treatment and discounts at numerous high-end brands and restaurants.” Another exclusive benefit of the card was access to Magnises “clubhouse” in New York’s SoHo district.

While the Amex black card cost \$7,500 to join and has an annual fee of \$2,500, the Magnises card cost \$450 to join. As is the case with the Amex black card, membership for the Magnises card was by referral only. Prospective “members” were invited to hang out with existing members at a Magnises property and after a few days, a decision would be made on whether or not they are eligible to become a member. McFarland admitted that the criteria for selection was based on whether the rest of the group thought the prospective members were “cool enough”. Potential members who tried too hard to fit in or were perceived to be too pushy were deemed to be uncool and denied membership.

In addition, the Magnises card was not technically a charge card since Magnises was not partnered with any financial institution. Magnises transferred the data from the magnetic strip from an existing credit card onto the Magnises magnetic strip. Therefore, the Magnises card is a duplicate of a credit card the owner already has in his/her possession [2].

In a Shakespearean foreshadowing of future events, Magnises received an F rating by the Better Business Bureau in New York State. The justification for the rating was that Magnises had 28 complaints filed against it and it had failed to respond to the complaints. In addition, Magnises had failed to resolve the underlying causes of a pattern of complaints. A common theme of the complaints was that the customer had paid for concert or event tickets and never received them. Tickets for Coldplay, Coachella, NBA games, the Broadway play Hamilton, the Masters Golf tournament, the Superbowl and other exclusive events were bought by the customers and the customers never received the tickets for the event. Another common theme of the complaints was the use of the word “scam” when customers were describing their interaction with Magnises. There were also complaints of Magnises not giving the customers an opportunity to cancel their memberships and receive refunds [3].

III. THE ORIGINS OF THE FYRE FESTIVAL

Established in 2016, Fyre Media was the solution to McFarland’s vision of having people be able to get access to and book celebrities for their own personal events. Fyre Media had developed an app that would allow ordinary people to bid for celebrity appearances for the customer’s private events. This would allow the customers to be able to “invite” well known celebrities to their private parties. As an offshoot of Fyre Media, McFarland wanted to promote the “exclusiveness” of the app by creating an exclusive music festival which would have the same celebrity status [4].

McFarland’s dream was to have a music festival driven by social media that embraced his love of internet programming, the ocean and rap music. He thought the Bahamas would be the perfect location for the festival after he saw the beauty of the Bahamas when he had to make an emergency landing on an island in the Bahamas during a flying lesson.

The organizers promised that the guests could “start each day with morning yoga and guided meditation on the beach (and also enjoy) massages, henna tattooing, sound healing, chill-out sessions and a festive Bahamian junkanoo parade kicking off each weekend.” In addition, the guests would enjoy food options such as “a uniquely authentic island cuisine experience (with) local seafood, Bahamian-style sushi and even a pig roast.” [1].

IV. SOCIAL MEDIA INFLUENCERS AND FYRE FESTIVAL

Billy McFarland believed that the most effective way to create the exclusive “buzz” of the festival was to have promotions made by social media influencers. McFarland realized that these influencers are followed by millions of people and their “endorsement” of Fyre Festival would cement the desirability of people wanting to buy tickets for the festival. McFarland was also willing to spend millions of dollars on promotion from social media influencers in order to create an intense frenzy for tickets for the festival.

For example, Kendall Jenner was paid \$250,000 for a single Instagram post which announced the launch of the ticket sales and offered her followers a discount code. Bella Hadid, a model who was included in the promotions of Fyre Festival, later apologized to her followers and explained that she had “trusted” the event and though it would be “amazing and memorable.”

The influencers were called “Fyre Starters” and on December 12, 2016, at 5 pm all the influencers posted an advertisement of the Fyre Festival which was an orange tile. These Starters, also called Ambassadors,

were a part of and were representatives of the Fyre Tribe. The organizers described them as “key personalities to lead the attendance of an influential audience at the Fyre Festival around the world.” [5].

McFarland paid 400 influencers at least \$20,000 to promote the festival in a coordinated influencer marketing campaign. The campaign was an enormous success by reaching 300 million people in just 48 hours that quickly led to a sellout of the tickets [6].

In 2017, the Federal Trade Commission (FTC) notified celebrities and other influencers that they needed to explicitly identify any posts that they been paid for by including “#ad” in the post. All influencers, other than Emily Ratajkowski, failed to identify that they were paid for their posts for the Fyre Festival. McFarland realized not only the power of social influencers, but also the rapid growth of their influence on the internet. The growth in the influencer market size has been phenomenal in the past four years with revenue of \$1.7 billion in 2016 and \$4.6 billion in 2018, and an estimated \$6.5 billion in 2019 [7]. The social influencers were called Fyre Starters to promote the festival online and give the perception of exclusivity of being invited to the festival.

The festival was promoted from the beginning based on false claims. One month before the start of the festival, the event’s website stated that the festival would take place on Fyre Cay which is a private island that had previously been owned by drug kingpin Pablo Escobar.

Some of the ticket packages were charging astronomical amounts. For example, the “Artist’s Palace” included four beds, eight VIP tickets and dinner with one festival performer for \$400,000. There was neither the island nor the palace, yet these promises were made to potential customers. Former employees at Fyre admitted that higher-level employees would make-up extravagant accommodations that they would never honor just to see if people would buy them. They found that people did purchase these outrageous packages.

So, even though the festival had sold out of its tickets, McFarland still did not have a location for the festival. McFarland finally settled on Roker Point as a location in early April 2017. The site was an unbuilt housing development on Great Exuma which borders a Sandals resort. With the guests for the festival to arrive on April 27, the organizers had less than one month to get the site ready. Many producers of the festival were hired and then quit when they realized the enormity of the task to get the site ready. When DJ booker Richard Hooban toured the site three weeks before the festival was to take place, all he saw was a craggy beach and a gravel-strewn plot where the main stage would be built. Hooban commented that “This is going to take a lot of money or time to transform.” [4].

The logistical nightmares included the island not having a proper water system and transportation systems. McFarland admitted the challenge of putting on the festival was because “There wasn’t the infrastructure we needed. We attempted to build a city out of nothing...Neither of us had developed an island or a festival before.” [1].

Leading up to the festival, Fyre told festival ticket holders that the event would be cashless and cardless and that they needed to put money in advance on their digital Fyre Band to cover the costs during the festival. In actuality, the money put on the wristband was needed in order to present a stopgap solution to Fyre’s cash flow problems. Fyre received almost \$2 million from its guests putting money on their wristbands that was used, in part, to pay back a \$3 million loan and cover other short-term cash flow needs.

The organizers had to rush-order bed frames. Beach chairs and beach umbrellas had to be flown in rather than shipped because of late payments made to the supplier. In addition, essential gear such as walkie-talkies never made it to the site. Because of cash flow problems, Fyre’s company credit cards were being declined for everyday office purchases back in the United States.

As the financial concerns became more apparent, Fyre employees were worried that funds received from the Fyre Media app were actually being used for the Fyre Festival. McFarland had told them not to worry since the investment arm of Comcast, Comcast Ventures, had agreed to invest \$25 million in Fyre Media. In actuality, Comcast had considered but passed on the deal after doing a comprehensive due diligence on Fyre Media. Because of cash flow issues, Fyre employees started receiving their pay late and then were not given the full amount. As the date of the festival became closer, employees received no pay.

The warning signs of failure were everywhere. When McFarland asked one of the carpenters two days before the festival how were things going, his response was that the site will not be ready. Senior staff members continuously told McFarland to postpone or cancel the event and he refused. On the morning of April 27, 2017 when the guests were to arrive, a major storm left the site soaked, including the unfinished tents and bedding inside the tent. Fyre had sold approximately 8,000 tickets for the two weekends of the festival, but only a few of the promised chartered planes transferred the guests to the island.

When the guests arrived on April 27, they were sent to the Exuma Point Beach Bar and Grill restaurant owned by MaryAnn Rolle. Rolle was owed \$134,000 for the food and service she proved to “a whole sea of people” and was never paid by Fyre. After eating in the restaurant, the guests lined up to check into their makeshift tents which were soaked and some lacked mattresses. McFarland’s response to the growing angry mob was just to grab a tent without any kind of formal process [4].

For example, Shivi Kumar paid \$3,500 for a festival package which included four king size beds and a living room lounge. Ms. Kumar instead was instructed to “grab a tent” as she and others ran to find a vacant

tent. Some of the tents had beds, but some tents were still unfurnished. The net result was that people would find a tent and then steal the beds from another tent when they realized that the tent did not have any furniture. The tents did not have locks, and because of a rainstorm the night before the guests' arrival, the beds and blankets were wet.

During the evening, festival organizers dumped several unopened containers on the site and told the guests to look through the containers to locate anything they were missing from their tents. Because the event was promoted as cashless and the guests were told to upload funds to their digital wristbands, the guests did not have money to use for transportation or food. In addition, the distribution of the luggage was a logistical nightmare. They unloaded the luggage without proper identification that results in almost everyone looking for the same standard black piece of luggage. Ms. Kumar concluded, "Not one thing that was promised on the website was delivered."

In announcing the cancellation of the festival, the organizers stated that "Fyre Festival set out to provide a once-in-a-lifetime musical experience...Due to circumstances out of our control, the physical infrastructure was not in place on time and we are unable to fulfill on that vision safely and enjoyably for our guests...We are working to place everyone on complementary charters back to Miami today...We ask for everyone's patience and cooperation during this difficult time, as we work as quickly and safely as we can to remedy this unforeseeable situation." [1]. This was despite the fact that as of late Thursday evening, McFarland and Ja Rule continued to believe that the festival could occur. It was not until the morning of the day of the festival that the announcement was made that both weekends had been canceled [4].

After the cancellation was announced, Ja Rule commented on twitter that "I'm heartbroken at this moment my partners and I want this to be an amazing event it was NOT A SCAM as everyone is reporting I don't know how everything went so left but I'm working to make it right by making sure everyone is refunded...I truly apologize as this is NOT MY FAULT...but I'm taking responsibility I'm deeply sorry to everyone who was inconvenienced by this..." [1].

V. THE FALL OF BILLY MCFARLAND

On June 30, 2017, Billy McFarland was arrested and charged with wire fraud. The charge was based on McFarland defrauding investors by misrepresenting financial information about Fyre Media. "McFarland allegedly presented fake documents to induce investors to put over a million dollars into his company and the fiasco called the Fyre Festival." It was alleged that McFarland had claimed that Frye Media had earned millions of dollars from thousands of bookings in 2016 and 2017 when, in actuality, Frye Media had only earned \$57,443 in revenue during that time period [8].

On June 12, 2018, while out on bail, Billy McFarland was charged with selling fraudulent tickets to exclusive events. Prosecutors alleged that McFarland had sold fraudulent tickets to events such as Burning Man, Coachella and the Grammy Awards. McFarland had used an email account from another employee of a company he owned, NYC VIP Access, and transferred the money received by the customers to other people's accounts in order to hide his involvement. It was estimated that McFarland had defrauded 15 customers of approximately \$100,000. As a result of this illegal activity, McFarland was additionally charged with wire fraud and money laundering [9].

On October 11, 2018, Billy McFarland was sentenced to six years in prison. In addition to pleading guilty to the two counts of wire fraud for the Fyre Festival and Frye Media in March 2018, McFarland also pled guilty to two counts of wire fraud for selling fake tickets to exclusive events in July 2018. During the sentencing process, Judge Naomi Reice Buchwald stated that "The defendant is a serial fraudster and to date his fraud, like a circle, has no end...Mr. McFarland has been dishonest most of his life." The prosecutors requested that the judge sentence McFarland to at least 11 years and described McFarland as "the consummate con artist...He betrayed and deceived his investors, customers, and employees while he was living the high life at his luxury apartment, traveling to exclusive locales, staying at luxury hotels, being chauffeured in his Maserati, and entertaining himself and his friends at restaurants, bars, and casinos." [10].

On August 30, 2017, the company responsible for the Frye Festival, Frye Festival LLC was forced into bankruptcy by lenders who demanded the return of their money [11]. On August 29, 2019, a bankruptcy trustee for Frye Festival LLC sued social media influencers and musicians who received payments for their part in the Fyre Festival. Kendall Jenner and Emily Ratajkowski along with musicians Migos, Pusha T and Lil Yachty were part of a lawsuit filed in order to receive money that was paid to them. Kendall Jenner was paid \$250,000 to promote the Fyre Festival through an Instagram post and was paid another \$25,000 after making the post. Frye Media paid \$299,000 to the agency representing Emily Ratajkowski and paid \$350,000 to the agency representing Lil Yachty, Migos and Rae Sremmurd. Another agency was paid \$730,000 for the scheduled performances by Pusha T, Desiigner and Tyga. Blink-182's agency was paid \$500,000 [12].

In a \$100 million class action lawsuit filed against the Fyre Festival, the details of the festival were presented which included "The festival's lack of adequate food, water, shelter, and medical care created a

dangerous and panicked situation among attendees – suddenly finding themselves stranded on a remote island without basic provisions – that was closer to ‘The Hunger Games’ or ‘Lord of the Flies’ than Coachella.” [13].

VI. CONCLUSION

The Latin phrase of caveat emptor could never be more relevant than in the case of the Fyre Festival. Billy McFarland ensured that the buyer was not aware that the promises made by McFarland and Ja Rule would never be fulfilled. McFarland, with a history of being a fraudulent entrepreneur, used social media influencers to artificially hype the Fyre Festival. The organizers did not have any experience creating a music festival and, therefore, should not have promoted a festival in which there was no guarantee that it would be ready when promised. In addition, the organizers downplayed or ignored numerous warning signs that the festival would not succeed. Instead of cancelling the festival, the organizers promised more luxurious experiences to the uninformed customers in order to take more of their money. The net result was a disaster from the minute the guests stepped off their discount “luxury” plane until they were airlifted back to Miami.

From its inception, McFarland and the Fyre Festival organizers understood the enormity of the challenges in putting on the festival, yet refused to cancel the festival until the last minute and blamed factors such as the weather for the event’s failure instead of taking responsibility for the disaster. Was justice served with the six year prison term for McFarland? The answer to that question may depend upon whether or not you were scrambling for shelter in a wet tent in the Bahamas on April 27, 2017.

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