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An evaluation of fan-based funding for new bands

Case study: Four Day Hombre

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An evaluation of fan-based funding for new bands

“If you’re going to sell out, make sure they’re buying” – Martha Davis, The Motels

Case study: Four Day Hombre

“I never thought a band would ask for money...beer, yes!” – Four Day Hombre fan

1 Introduction

1.1 Funding options for new bands

The music industry, particularly the recording industry, is perceived as a high-risk business due to the high product development and marketing costs and high product failure rate, i.e. the proportion of artists who do not recoup their costs to the record company through sales of recordings. I use the word ‘perceived’ specifically here for the reason that, given the lack of transparency of major record label business models, there is little empirical evidence to actually substantiate this. However, anecdotal evidence from record company sources suggests that only *“one in ten artists turns out to be successful”* and *“85% of recordings are not profitable”* (Cloonan, 2007).

With this limited evidence, it is not surprising that the high-risk perceptions prevail.

Nonetheless, both major and independent record labels continue to adopt the same business model; spreading risk through the acquisition of a portfolio of artists and staggering the release

of funds across the stages of artist development and product release. The stability of the model has been undermined by the impact of digital music sales and piracy on the profits on sales of physical carriers. Record company sources frequently appear in the business news lamenting the devastating effects on their balance sheets, e.g. the new head of EMI, who recently stated that as a result of *“the general malaise surrounding the industry due to the increase in digital piracy, EMI was hampered by a poor release schedule in 2007 and an over-reliance on a handful of big name artists”* (Gibson & Tryhorn, 2007).

In his recent publication ‘Popular Music and the State in the UK, Martin Cloonan (2007) explores alternative sources of funding and the closing of the ties between music and government over the past four decades. In this he highlights the way that a symbiotic relationship has evolved between the independent music industry (particularly SMEs¹ in need of support and protection in their early growth years) and the government (recognising the impact of this sector’s GDP on the national economy). While his work includes assertions from both sides of the table that the government is not subsidising and therefore not influencing the output of the creators, the fact remains that new entrants to the music industry, and particularly the recording industry, are dependent on start-up capital. Cloonan’s work investigates the opportunities for traditional funding opportunities, e.g. bank loans, credit applications, etc. for music SMEs. His research shows that 96% of sources from within the banking community consider them to be high risk investments, citing the difficulty in valuing intangible assets. Nonetheless, 68% welcomed credit applications from SMEs. Furthermore, the level of refusal for finance for music SMEs (at 8.7%) barely differs from the refusal rate for non-music SME’s (at 9%). While the main reason for refusal was given as the high-risk nature of the investment, the fact remains that over 90% of funding applications were approved.

¹ These are mainly independent record labels, recording and rehearsal facilities and promoters, etc.

Clearly substantial investments continue to be made in them in spite of the business risks they represent. Although their funding approval rate, i.e. number of new signings in relation to total artists, is much lower, the main investor in rights acquisition and exploitation remains record labels, presumably due to their experience of dealing in these intangible assets. In seeking to minimise their risks some have adopted the ‘360-degree’ deal – which entitles labels, as ‘integrated music companies’, to a share of the whole range of income streams generated by songwriters and performers, e.g. publishing royalties, live revenue, merchandise sales and 3rd party licensing. The most celebrated recent example of this is Robbie Williams who exchanged these rights for an advance of £80 million in 2002. Universal followed suit with the take-over and realignment of Sanctuary’s management activities. Figure 1 is an example of the way that Sanctuary describes its income streams in 2003.

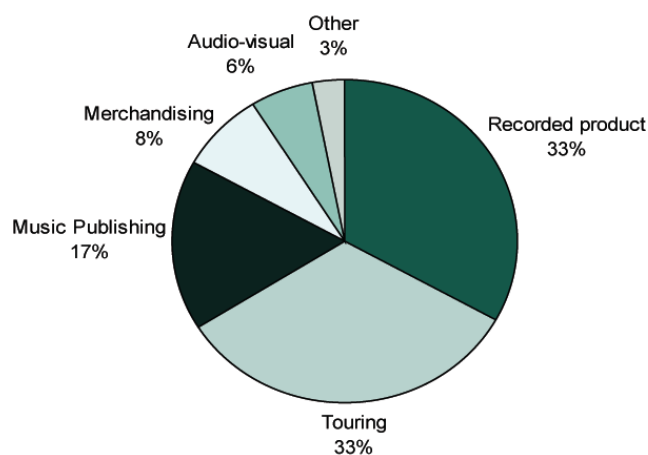


Fig 1. Split of an artist's earnings (Evolution Beeson Gregory)

This does not necessarily change the lot for the huge numbers new artists currently seeking start-up capital, as their lack of market-testing renders them the highest risk investment. Traditionally, this role is fulfilled by independent labels, whose lower running costs enable them to develop artists and markets more slowly (Ordanini, 2006). Indeed, their model appears to be an inspiration to the majors according to EMI's intention to create “*a structure in which lower selling*

artists with more niche appeal can still be profitable” (Gibson & Tryhorn, 2007). Nonetheless, it is ultimately the market that determines the success of an artist, and best intentions do not always materialise into the expected results.

1.2 Bands as investment vehicles

The challenges new bands² face in winning investment is a central theme of this dissertation. Rather than looking at the funding policies of major labels, the government or banks, I will focus on the notion of a band functioning as an SME in its own right, as suggested in a recent article in *The Guardian*: *“Many experts believe today's changes will result in individual artists emerging as ‘cottage industries’ in their own right, much less dependent on labels to produce and market their music.”* (Gibson & Lewis, 2007). There are many ways that this can be done, but the particular model I will explore is of a band as a private limited company, using investment capital from its fan-base in lieu of the advance and marketing budget typically provided by a record label.

Raising capital from the fan-base is not unprecedented in the music industry. In 2001, 30,000 members of Marillion’s fan-base financed their comeback album, *Anoraknophobia*, after the departure of their lead singer, Fish (Jordache, 2000). Prior to this, in 1997, David Bowie had famously invited investment in his future earnings – *Bowie Bonds* – in order to raise the capital to buy back the rights to his back catalogue (Billboard, 2003). However, both of these are established artists with a proven market track record, constituting lower risk investments. My interest lies in the potential applicability of this business model for new bands; those most in need of capital injections to launch their professional careers, but which are considered as the greatest risks.

² I should point out to the reader that for the sake of brevity I refer throughout this text to ‘bands’, however, this can be read universally as ‘artists’.

The subject of my evaluation is a band called Four Day Hombre from Leeds who began to explore this model in 2004 (Youngs, 2006) and have remained afloat ever since, financing a number of releases and substantial touring activity from the initial investment. That they have achieved this is noteworthy in itself, given the context in which they are operating.

1.3 Reason for subject choice

My interest in this subject stems from a number of factors. I am relatively new as a professional in this industry, although I have been an amateur musician for nearly 20 years. I currently play in an aspiring but unsigned 'indie' rock band and have a job as an artist manager for a small independent record label. My stake in the continuing profitability of the music industry is therefore high and I am anxious to identify ways to negotiate this changing environment. To this end, this research has already proved invaluable.

Furthermore, Four Day Hombre have managed to realise something that I had only imagined. Prior to learning about them accidentally at last year's In The City conference, when their name was raised in a seminar on 'Independence', I had already begun to consider the significance of the idea in relation to bands 'selling out'. It appeared to offer an ideal means of strengthening the relationship between a band and its early fan-base; a group I envisaged as mainly teenagers with an online relationship with the band. Consequently, my original conception of the model in application involved lots of small investments from large numbers of investors. However, this implied high demands on the business administration and associated costs, for example business bank accounts typically attract fees of approximately £5 per transaction. However, the greatest danger remained the simple fact that without the ability to minimise risk through portfolio management – having all the eggs in one basket, so to speak – the odds of success were even lower than the one-in-ten industry 'standard'. If it could work, I anticipated it would be due to the fact that there would be a large degree of kudos for the teenage investors, that large numbers

of investors had exponentially greater word of mouth promotional powers, and that the novelty of the idea could not fail to make a media splash.

Indeed, these factors do emerge from the data, although Four Day Hombre, as I shall demonstrate, have managed to overcome or circumvent a number of these challenges. Nonetheless, this still does not explain why people are prepared to invest their money in an enterprise with the odds of success so heavily stacked against it, and this will be a recurrent theme throughout my discussion.

1.4 Methodology & structure

To summarise my objectives then, my intention is to identify which factors have contributed to Four Day Hombre's apparent success, and to identify which of these are so peculiar to this band that they could not be applied more broadly in the music industry.

I will begin with a short literature review which summarises the range of data sources referred to in examining the case study. In the course of my research I have been challenged to broaden my understanding of music business agreements and company law, business models and corporate economics, and some weighty psychological and sociological themes. It demonstrates very clearly just how complex and cross-cutting musicology can be, and it has served to reinforce the fact that I am not a lawyer, economist, psychologist or sociologist. Instead, I approach this topic as an interested observer with limited space to explore all of the ideas which emerge, and so my conclusions will be broadly observational. Equally, given the limited word count, I have been obliged to exclude numerous interesting findings which would have enriched the discussion even more.

I have chosen a case study approach because without a real example of the model in practice I would have been restricted to speculating about how it might work. While I was initially disappointed that someone had ‘beaten me to it’, from a researcher’s perspective, this has been a godsend. In terms of accessing the information I have needed, the band’s manager and the investors who responded have been extremely open and forthcoming with their contributions and so I hope to do justice to their generosity and to the passion and commitment that they have brought to this enterprise.

My presentation of the case study is divided into two parts. In the first I examine the apparent irrationality in the decision-making process by answering the following questions:

1. How was the case presented to potential investors?
2. How was the case received by the actual investors?
3. How successful has the model been?

In answering these questions I refer to evidence from all of the data sources, highlighting themes, commonalities and anomalies within them. This enables me to make more quantifiable evaluation in response to question three.

In part two I explore the potential for this model to be applied more broadly to the music industry by re-examining the significance of the key factors in part one. In doing this, I discuss three distinct areas of applicability:

- Sustainability: can Four Day Hombre maintain their careers using this model?
- Scalability: can this model be expanded into new activities and territories?
- Repeatability: can any new band use this model?

In conclusion, I will summarise my findings, and, where possible, highlight areas for further research.

1.5 Literature Review

The data sources used in this essay can be categorised into three types, primary, secondary and academic literature. As some of these are too large to be included in the body of this essay, I will refer the reader to the appropriate sections of the appendices.

1.5.1 Primary data

This is data resulting from my own research on this subject which was essential due to the absence of secondary data. The first source used is the transcript of an interview conducted with the band's manager, Roo Piggott. This was conducted in June 2007; two and a half years after the initiative began. I chose nine open questions which I anticipated would prompt the most comprehensive and natural response possible. This provides a snapshot of what the band have achieved against their promises to shareholders in the intervening period and reveals how the model in practice has differed from the original proposition, both in terms of progress and deliverables. A transcript of the interview is included as Appendix 2. Line citations in the text will be made thus: (apx2: 23).

The second is a set of questionnaire responses from investors in the scheme. I devised a set of questions which I felt would encourage an open and factual response without leading them too strongly. In particular I wanted to know why they had chosen to invest, what they had put in and what they felt to have got back. I was also interested in how they perceived themselves, and also whether any of them had practiced devoted fan-behaviour before. Although I would have liked to have asked more, I was aware that this was potentially intrusive as it related to people's financial affairs, and also that the investors were all busy people.

I was facilitated in reaching them by Roo who agreed to email my questions and brief introduction directly to the investors, kindly prefacing it in order to add legitimacy to my enquiries. Of the 35 shareholders contacted, I received five responses. Again, while I know that a greater number of responses would have enabled me to draw stronger conclusions, the data they do contain is very rich and reveals a lot about the complex factors that really influenced their decision to invest. The questions and full responses are included as Appendix 3. Line citations in the text will be made thus: (apx3: 23).

1.5.2 Secondary data

This includes data from online sources relating mainly to fan-based business models and the music industry generally. The main source used is the Alamo Music business plan as presented to potential investors from amongst the band's fan-base in December 2004. This comprises three separate documents: the complete business plan (45 pages), an accompanying marketing plan (24 pages), and a detailed budget and projection (8 spreadsheets). These documents enable us to see the terms under which the invitation to invest was made and the case that was presented to convince investors that Four Day Hombre were a worthwhile investment; a combination of business rationale, third party testimonials, and an emphasis on the band's independent values. Due to the size of these documents, only selected excerpts from the business plan are included as Appendix 1. Line citations in the text will be made thus: (apx1: 23).

1.5.3 Academic literature

Given the recency of this particular business model application there is nothing in academic literature for me to refer directly to, hence the importance of the above sources. Nonetheless, as I have mentioned, the range of disciplines covered in my research is very broad, and I have consulted a range of titles in order to broaden my understanding of each. The arguments

derived from particular publications are outlined within the body of the text, however, three in particular have been particularly informative:

- Benjamin Graham: *The Intelligent Investor* (1984) – this text has been essential for me as a lay-economist trying to make sense of investment practice and corporate structures.
- Lisa Lewis: *The Adoring Audience* (1992) – this text contains a number of excellent discussions on fandom, which have helped me to understand the complexity of band-fan relationships.
- Ken Gelder & Sarah Thornton: *The Subcultures Reader* (1997) - this text also contains many enlightening contributions from various authors on the relationship between mainstream and alternative culture.

All literature cited and referred to in the course of my research is included in the final bibliography.

2 Case study part one: Four Day Hombre

2.1 How was the idea presented?

The business plan invites members of the Four Day Hombre fan-base to support them in raising start-up capital and in doing so become shareholders in their independent record label, Alamo

Music, according to the following terms (apx1: 38):

- *The first share-type are for people who wish to invest over £,1200. Along with a great package of investor benefits, this share-type will be enjoy preferential treatment guaranteeing the investor dividend payment should Alamo Music be profitable.*
- *The second share-type are for people who wish to invest up to £,1199 (with a minimum of £,100) and will be invested in Alamo via a shares club. This share-type will enjoy a set of benefits including a potential for dividend payout should Alamo Music be profitable.*

Potential investors are told that *“new artists require a high level of start-up investment and marketing costs to make a significant impact within an overcrowded market place”* (apx1: 177). Moreover, they are warned that: *“only 5% of signed acts make any money but these acts cover the costs of the remaining loss making 95% of a major label’s roster”* (apx1: 179). On a more general business level, research shows that only *“about 54% of new businesses survive a year and a half, and only 25% survive six years”* (Peña, 2002).

The risk is that the investors will never see any financial return at all as the label is perfectly capable of spending the money on activities that will generate no return. The business plan refers to marketing costs, which, in my experience, can easily fail to stimulate any return. At best, it is extremely difficult to measure the actual impact this expenditure makes. As I will explore below, while the business plan does suggest ways in which the band will attempt to manage the risk, they are no more capable of addressing the uncertainty of the market place than the major labels. Yet, just like banks and record labels, some fans did choose to invest.

Obviously, I am not in a position to understand the actual factors that influenced their decision in this instance as many will be sub-conscious and undoubtedly complex. Nonetheless, I will

look at the offer from four different perspectives which I believe combined to present a convincing and appealing argument.

2.1.1 The business case

Firstly, the **professional approach** that the band chose to present the concept is also very significant. This was not just an idea jotted down on beer-mats in the pub. The band have invested significant time and effort – “*we sat down for weekly meetings for four or five months*” (apx2: 9) – in preparing the three core documents; the business plan, marketing plan and budget spreadsheets. It draws on expertise from academic, industrial and broader professional sources, which presumably was not all provided for free. They use this to give the plan as much legitimacy as possible, for example, when they use Tony English of Russell’s Solicitors to present the current industry operating context, they are careful to highlight that “*Russells is possibly the most successful music law firm in the UK. Clients include Coldplay, Travis, George Michael Warner Music etc. They are also our lawyers*” (apx1: 90).

The second factor is the way that Alamo describes its **risk management strategy** through shrewd use of the investment capital. “*We believe that an independent label with low costs in these days of new media can circumvent many of the risks associated with a major label release as well as working at a vastly more efficient cost-to-profit ratio*” (apx1: 130), e.g. tapping the whole range of income streams as described above. Their main criticism of the major label business model is that it is “*predicated on paying substantial advances and spending substantial amounts of money on recording costs and marketing to develop artists*” (apx1: 70) and “*relies on the major success of a limited number of artists paying for the lack of success of the majority of artists*” (apx1: 72). To quantify this in more detail, I will refer to a recent article in The Guardian (Simpson, 2007), drawing on ‘music industry experts’ to estimate the cost of financing a ‘hit’; broken down as follows:

<i>Advance:</i>	£150,000
<i>Recording costs:</i>	£100,000
<i>Videos:</i>	£90,000
<i>Advertising:</i>	£95,000
<i>Clothing:</i>	£200
<i>Touring:</i>	£40,000
<i>Retail promotions:</i>	£53,000
<i>Photos:</i>	£10,000
<i>Internet campaigns:</i>	£20,500
<i>Plugging:</i>	£36,000
<i>Total cost:</i>	£594,700

Significantly, Alamo is not depending on a ‘hit’ and only needs to pay these costs for one act, not an entire roster; consequently, *“because new labels don’t have majors’ large overheads and can use different ways of marketing, they can develop artists at a lower threshold, control initial costs better and make profit on lower record sales”* (apx1: 221). More detail on how these costs are reduced will be presented below.

The next significant factor building on this is that investors are offered a very **generous financial return**. As Roo explains (apx2: 56), *“B’s were promised a 160% return on their investment.”* The business plan expands on this: *“People with B shares will receive 50% of net profit on an annual basis, taking in to account projected costs of the next album cycle. As directors we have rights to issue a larger dividend on top of the specified preference”* (apx1: 449). Looking at typical interest rates on savings accounts and ISA’s online, annual interest rates at the time of writing seem to run between 4.5% and 6.5%. Even if the savings were left untouched for the three year period of the contract, they would not generate the same return. The difference of course is that a savings account would guarantee this return; the investment only offers the potential for a larger return.

To help potential investors to visualise what it would take to actually generate a return, they are given information about the **readiness of the market place** – the broader fan-base which they may not be aware of from their position within it. Crucially they learn that there are

approximately 1,200 ‘dedicated fans’ who “regularly communicate with the band, attend live gigs and purchase product” (apx1: 500). If these people do purchase ‘product’ then over the three-album/six-single release schedule described, the label can anticipate a return of approximately £26,000³. As these people only represent a third of the constantly expanding total fan-base, this could be read as a minimum return. Furthermore, their value in terms of other income such as merchandise and ticket sales is harder to calculate but if each of these people brought in only another £10 from these purchases it would be worth another £12,000. It is no surprise then that the band stresses that “we spend a lot of time maintaining and managing the relationship we have with our fan base and it will also remain one of our top priorities” (apx1: 502).

2.1.2 The band

I will introduce the band in their own words (apx1: 483):

“Four Day Hombre was formed in 1998 in the minds of a couple of Lancaster University students. They got some band members, wrote some songs, moved to Leeds, rented a house and over 3 months converted their own cellar into a rehearsal room... all before they’d actually played a note. That alone should give you some idea as to the conviction of the band members.”

From the business plan and Roo’s interview, we learn that the band members bring more than just their conviction and musical ability to the band and the business.

- **Simon Wainright** (vocals) is an artist, graphic designer and web-designer. He designed the website and their promotional materials and has studio experience as a producer.
- **Rich Huxley** (guitar) is an experienced business salesman from his work in media sales and marketing. He also brings people management skills, which make him a good relationship manager and negotiator.
- **Mark “Ed” Waring** (keyboard) is a music industry expert, researcher and project manager. He has also been responsible for the band photography and studio recording and production.

³ This is an approximation based on a scenario of 1,200 people buying hard copies from retail outlets according to the unit return values stated in the budget.

- **Jason Miller** (bass) is skilled in project management, budgeting, forecasting, and asset management, as well as web-development. Simon and Jason's skills are considered to be exchangeable for other skills that would otherwise need to be bought in.
- **Mark "Ash" Ashwell** (drums) is responsible for managing the band's fan-base communications and promoting their live activity and online sales. He also does accounts for the label and the band.

This appears to be a significant element of the business plan, which is reinforced by Peña's study (2002) on the relationship between **intellectual capital** and business start up success.

Intellectual capital is described as the "*knowledge, skills, abilities and experiences*" which "*can be expected to determine the success levels achieved by firms*". In addition to this there are two other significant factors mentioned in the study. The first of these is motivation:

"The motivation level of an entrepreneur who abandons a job, invests his or her savings and devotes 55 hours a week in order to create a successful firm is very different from the motivation level of an unemployed entrepreneur who creates a company with government funds and devotes 25 hours a week to it."

The band's commitment and motivation is apparent from the way that all members have all realigned their professional lifestyles in order that they support rather than threaten their ability to carry out band business activity, as per Roo's description (apx2: 82): "*They were away from home for 5 weeks touring with Embrace and then 6 weeks on their own tour and they were still able to earn money using laptops uploading through their mobile phones in the back of the van.*" It is clear from this that the band members themselves constitute significant assets for the label. As they assert in the business plan, their skills set and 'in house' approach can be quantified and offset against some of the typical record label expenses listed earlier, leading to savings in recording costs, advertising, photos and internet campaigns. Furthermore, their ability to earn a living from their 'day jobs' whilst still being full-time musicians means they are much less dependent on the advance from the record label.

The second factor is referred to as their **relational capital**, i.e. *“the development of productive business networks and an immediate access to critical stakeholders”* (Peña, 2002). These are listed as *“our network of music producers, radio professionals, pluggers, press agents, film producers and directors”* (apx1: 134) and imply further savings in video production, retail promotions and plugging. In all, this reinforces the band’s confidence in entering the market with a budget significantly less than £600,000. While all these things are presented as the band’s potential to run the business more economically, they also explain why they *“have already achieved a degree of brand recognition and exposure which is rare for an unsigned band”* (apx1: 286), e.g.

- *“all artwork, audio production, promotional artwork, copy and video production has been the result of internal creativity. Essentially, through pure tenacity and resourcefulness, ALL Four Day Hombre output is due to the band’s hard work.”*
- *“Over the past six years they have played nearly 500 gigs across the length and breadth of England, Scotland, Wales and the Isle of Man.”*
- *“As an unsigned band they have achieved 3 weeks of Radio 1 A-list play and played live on Radio 1 to over 6 million people.”*

Until now, both the quantifiable and the intangible factors presented have contributed to the appeal to investors in terms of the **band’s value**. As I mentioned in the introduction, Cloonan (2007) highlights the way that funding bodies find *“difficulty in valuing intangible assets”*. However, the business model also serves as a manifestation of an appeal much less quantifiable still – the **band’s values**.

2.1.3 The band’s values

To introduce the relevance of these to Four Day Hombre I will refer to the opening paragraph of their online press release (Four Day Hombre Press Area, 2007):

“Like other Yorkshire bands currently blossoming, Four Day Hombre are resolutely independent: they release music through their own label, Alamo Music. The unique twist is the label is fan-funded: fans came forward raising the same amount of money as an Indie deal would have given the band but without the usual dreadful, exploitative terms that come with it. A perfect deal, in fact.”

The band's **independence** is cited as the principle rationale for their decision to pursue the idea of starting their own record label. We know that they had attracted the attention of major labels but, as Roo explains, "*they turned the offers down over creative control issues. They weren't going to be fully in control of it*" (apx2: 6). Even the idea of fan-funding only addressed the source of their start-up capital, but did not enable them to maintain their creative control: "*we were worried that the fans would feel they had some kind of control, vocal input about the sound. So we decided to put a record label in the way and they sign the band and the fans have no direct control over the music*" (apx2: 11).

My understanding of this is relates to control of product output (e.g. the number of releases, which cuts make the album, which are the singles) and product direction (e.g. the style of music to be played, how it is marketed, artistic vision). The threat to the band is that such decisions would need to be compromised against maximising profitability, obliging them to perform and write new material in accordance with a business product development schedule rather than in keeping with the natural outputs of a creative unit. Significantly, the band's brand statements revolve around the message that "*FDH have all creative control and are releasing the album INDEPENDENTLY*" (apx1: 317). At no point are investors promised any influence at all despite their status as shareholders in the label.

To ensure then that the independent values still appeal to the potential investors as much as possible, the band takes a different tack. Firstly, as I described, the band sets itself in clear opposition to the major labels' business model – their investment policy and the drivers for it – referring to it as "*bloated and outdated*" (apx1: 128). More than this, they set themselves in opposition to the major label's creative values, offering Alamo Music as a superior alternative; "*committed, authentic, intelligent and inclusive*" (apx1: 230). This is manifested in the label's name,

taken from the famous battle for Texan independence, at which commander, William Barret Travis (1809-1936)⁴, apparently declared that *“We shall have to fight the enemy on his own terms”*.

Authenticity is a key theme in the literature on popular music and I find the description in Keightly (2002: 131) most useful here: *“Authentic designates those music, musicians and musical experiences seen to be direct and honest, uncorrupted by commerce, trendiness, derivativeness, a lack of inspiration and so on.”* A criticism of the major labels’ authenticity enables the band to appeal to potential investors who share these values, as summed up in their introduction to the business plan; *“This is a fantastic opportunity to get involved with something great and ‘stick it to the man’. Everything Four Day Hombre do is the antithesis of the mass marketed blandness of the major labels. We intend to make a success of this venture without any compromise”* (apx1: 51).

This is a strong claim, especially given the fact that Alamo is no less dependent than the majors on the need to function according to the same business imperative of profitability for survival. However, as Keightly (2002: 129) points out, *“indie and mainstream music consumption are both part of consumer capitalism, different only in the degree of their complicity. Indie-rock is defined by its concern for the scale of consumer capitalism, rather than by its radical rejection of an economic system.”* Similarly, in her piece on second-hand clothing trade, Angela McRobbie (1997) plots the growth of large organisations such as Virgin Records and Harvey Goldsmith Promotions from small ‘hippy’ roots. It appears then that there is a potential for co-existence between artistic values and commercial enterprise and this model promises investors the possibility of profiting with their values are intact.

2.1.4 – Identity

Affiliation with values features in the literature on identity, for example, Crozier (1997: 71) presents a definition of identity as two distinct but intrinsically linked aspects of personality:

⁴ Wikipedia

“Personal identity refers to an individual’s unique qualities, values and attributes, and reflects his or her personal history, whereas social identity refers to the social categories to which people belong, aspire to belong, or share important values with.”

He states that *“music relates to social identity; it provides the security of identification with other like-minded peers”* (1997: 73). Hetherington (1998), however, suggests that both facets of identity can be derived from music, describing *“the identity of the individual”* – with which one differentiates oneself from others through one’s tastes and values; and *“the identity of the individual as part of a group”* – with which one identifies with the shared tastes and values of others. A similar sentiment is presented within the literature on fandom. Jenkins (1997: 507) states that fans *“often draw strength and courage from their ability to identify themselves as members of a group of other fans who shared common interests and confronted common problems.”*

If this is the case, then this model also seems to offer investors a **sense of security** through a social identity built around shared values. In the business plan this occurs through the use of emotional language, in three ways:

- An attractive picture of the group’s identity – *“We know that there is an audience (disillusioned music fans in the 20-40 age range) who are very open to buying into intelligent, moving, emotional music produced by a new band”* (apx1: 124).
- A reassurance of normality – *“Many people have an almost insatiable appetite for hearing new music from new bands; whilst also aligning themselves to bands that they fall in love with”* (apx1: 245).
- And a place within its ranks – *“Four Day Hombre is more of a family than it is a business and we intend to operate Alamo using that same philosophy. We want Alamo to be an open and creative environment in which everyone involved can feel they are contributing”* (apx1: 401).

I feel that opening up the notion that the band and fans share common challenges is also a sensitive way of asking the fan-base for their help. In a document where they have to present their capability to deliver results, they also have to present their weaknesses. These are outlined in the market analysis (apx1: 270) as:

- *“We have limited funds*
- *We are a new label entering the market – this will be our first album campaign*

- *It takes time to solidify a network for distribution and sustained PR”*

By removing the barriers between the band and the fans they involve them in their struggle and thereby resolve the tension this presents.

Furthermore, if the two facets of identity do indeed reinforce one another, then the stronger the sense of unity a group feels, the stronger the individual identity will be, engendering confidence and heightened self-esteem. Given the fact that Four Day Hombre are so ‘resolutely independent’, the powerful sense of group unity they present offers a correspondingly powerful sense of individual identity. This is also present in the business plan through the **elevated status** it promises them, at least within the ‘band universe’. Status is conferred, not only from the exclusivity of belonging but also from the exclusivity of the benefits package (apx1: 454). While it does include material rewards for investors (free access to gigs, framed and signed albums and a badge), the rest of the benefits can be described as experiential.

- *Playthrough of album after production*
- *Invitation to annual **shareholders gig***
- ***Exclusive access** to the Alamo website shareholders area*
- ***Advanced access** to albums before they go on sale*
- ***Credit** on the albums*

As Fiske (1992: 42) suggests in the fan literature, “*fans like to know about things long before the general public.*” This exclusivity offers them recognition from the broader fan-base and possibly beyond. In addition there is the chance of becoming a Director – “*we were all asked to write a little piece about ourselves, three people were elected*” (apx2: 65) – which offers them professional recognition even amongst the other investors.

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To round up here, it appears that the model presented by Four Day Hombre is loaded with appeal on a rational and emotional level, offering solutions to the challenges faced and outlining the financial and material rewards. Furthermore, an enhanced sense of identity, security and status is promised simply from being involved. In the next section I will examine the characteristics of the investors to consider why all of these facets of appeal might resonate with them and make them receptive to the argument.

2.2 How was it received?

I feel that all of the factors I have outlined above contributed to influence the investors to invest despite the apparent risks. In the end, approximately half of those invited chose to invest, 29 (including Roo himself) as B shareholders and another five or six as C shareholders. How representative they are of the total fan-base is not certain as we learn that the investors were carefully short-listed. This was a legal necessity based on FSA regulations surrounding the nature of investors in private limited companies:

“In the FSA's view, the characteristics of the reasonable investor include:

- (1) sound judgment based on good sense;*
- (2) some knowledge of, and possibly experience in, the field of investment in property of the same kind as that in which the body corporate is to invest; and*
- (3) some knowledge of the characteristic features of collective investment.*

Where investment in a particular body corporate is clearly targeted at investors with certain characteristics, the reasonable investor can be assumed to have those characteristics” (FSA, 2007).

As the company is prohibited from approaching the general public for money, the shortlist can only have comprised family members, close friends and long-term fans with an established relationship with the band (Cobweb Information, 2006). Immediately, the significance of the personal, emotive nature of the appeal becomes clear.

I should point out that, as I only received three B responses and two C response, my conclusions are drawn very carefully, but involve some inevitable generalisation. How representative these

five people are of the entire investor group is unclear, as is how representative the investors are of the wider 3,500-strong fan-base. We are given the impression that they are at least representative of the ‘dedicated third’. I will look at their responses to identify the elements of the appeal which emerge as being influential in their decision, and also look at how their behaviour confirms and confounds that presented in the literature on fans.

Firstly, their **attitude to money** is very revealing. From their responses we learn that none of investors had any real expectation of a financial return. This is best summed up by investor B2: *“In my own mind I wrote it off the day I invested. Any return would be nice but very much a bonus. Let’s say it is a very speculative investment”* (apx3: 98). This language echoes that of Benjamin Graham, considered by many to be ‘father of value investing’, who explains that *“an investment operation is one which, upon thorough analysis promises safety of principle and an adequate return. Operations not meeting these requirements are speculative”* (Graham, 1984: 18). If this is the case, then all of the participants are behaving, in an economic sense at least, like speculators, reinforcing Roo’s comment (apx2: 62) that; *“It’s just a gamble, it’s almost like ‘black or red’ you know, put some cash on!”*

The speculative nature of their investment is further reflected by investor B3 who states that *“They must be mad. Then I thought about it, and realized that it was an exciting project [...] it was a frivolous bit of fun”* (apx3: 128). This gives the impression that the investors have a rather casual attitude to money which would certainly support notions from the literature on fandom that fans are *“juvenile and irresponsible”* (Grossberg, 1992: 51). Thornton (1997: 206) picks this up too, describing a tendency for youth spending habits to prevail into later life. As these investors are all aged 31-47, awareness of how frivolous their investment may appear is revealed by the B2’s explanation that *“the investment was not made on normal business rationale (much more emotional than logical)”* (apx3: 90).

Certainly, the over-riding consideration given was not ‘whether’ to invest, but ‘how much’, as summed up by *“the first consideration was whether I had the money to spare [...] and as I had spare cash at the time I decided to invest”* (apx3: 14). Graham (1984: 120) presents one possible reason for this attitude: *“Let us not ignore human nature at this point. Finance has a fascination for many bright young people with limited means. They would like to be both intelligent and enterprising in the placement of their savings, even though their investment income is much less important to them than their salaries.”* From their professional areas – management, finance, IT – we can position the investors in the highest socio-economic group and therefore assume that indeed, while they might not have very ‘limited means’, their salaries enable them to feel comfortable with the risk attached to this investment. It should be remembered, however, that their rationale may not resound with those affected by the decision, as one investor confesses in interview, *“I had to get it past the girlfriend first - it was a new kitchen or a share in an indie record label”* (Youngs, 2006).

Other responses indicate that a degree of **romanticism** may have contributed to their decision, such as references to *“an interesting journey”* (apx3: 133), and the pleasure of *“escapism”* (apx3: 108). For one, the glamour of association is apparent from his explanation that *“it would be good to be a part of seeing a very talented band attempt to make it through non conventional means”* (apx3: 91). A similar notion emerges again in reference to the band as *“bright young talented individuals”* (apx3: 134). While this suggests a recognition of the aforementioned importance of their intellectual capital assets, the significance here is the romantic notion of talent being connected with success. The use of the words ‘talent’ and ‘making it’ occur in Frith (1996), who states that *“Record companies, or at least record company executives can, in fact, be surprisingly obstinate in sticking with their belief in a talent that hasn’t yet ‘been recognised’ and their value judgements are shot through with Romantic terminology.”* It appears that to feel (at least partly) responsible for achieving a hit record against the odds has a very romantic appeal.

The final attitude to emerge from the literature is the generally **positive perceptions of ‘fans’** and fan behaviour. The definition of fans as *“people who enrich their lives with music and who find a dedication – for a wide variety of reasons – to one or two bands in particular”* (apx3: 183) succinctly encapsulates a definition that most fans would feel comfortable with. However, typical definitions of ‘fans’ and ‘fan behaviour’ in the literature present a negative image. In Jenkins (1992: 506-9) we find the word’s etymology is from Latin, meaning someone possessed of *‘excessive mistaken enthusiasm’* and later *‘madness’*. We are informed that *“fans operate from a position of cultural marginalisation and social weakness [...] fans are peasants, not proprietors.”* Perceptions of fans as ‘deviant’ persist elsewhere, for example in Lewis (1992:18) where Jenson refers to two stereotypes: the *“obsessive loner”* and the *“frenzied crowd member”*.

While Roo refers to the core fan-base, and by extension the investors, as *“nutters”* (apx2: 107), this appears to be a fond acknowledgement of their dedication and excitable behaviour at concerts than the genuine madness and frenzied behaviour described above. Indeed, their behaviour seems typical of the physical expressions of enjoyment concert-goers the world over. I also feel that this group defies the label of ‘deviants’. Indeed, if by deviant we can understand non-mainstream or non-conformist, then this is a significant factor in the identity offered by Four Day Hombre through their independent values and opposition to the mainstream, and implies a positive not negative self-perception. The strength afforded to them through their invited involvement and their sense of community also challenges the notion that the group is marginalised and socially weak.

Finally, Jenkins’ reference to fans as ‘peasants, not proprietors’ is repeated in Fiske (1992) in reference to the mistrust of *“making a profit out of fandom”* (1992: 40). In this case, the investors are proprietors whose **motivation** is clearly profit. The fact that there is real money at stake moves these investors’ activities from amateur to professional status. This offers them

legitimacy which appears to be significant in countering any sensitivity adult fans might feel about being labelled as fans. Jenson notes that “*such pejorative connotations prevent me from employing those terms to describe and explore my attachments*”⁵. Her ‘attachments’ may not necessarily be ‘pop bands’ but the pleasure she derives from them is certainly stronger than could be derived from a mere passing interest. Yet from her position as a respected, responsible, mature, cultured academic, she observes a tendency to legitimate her own fan behaviour through language such as ‘affinity’ and being an ‘afficionado’.

An example of this in popular music terms is presented by Josie Robson whose PhD, *Finding the Female Fan* (2006), includes a chapter on the self-perceptions of Pulp fans. A number of those interviewed expressed an increased sensitivity of how their fan behaviour was perceived as they ‘grew up’. One interviewee who did not express this sensitivity was the fan club manger, and it appears that her role as ‘professional fan’ served to legitimate her behaviour as suggested by Jenson. If this is the case I would expect the sense of belonging that the model offers would have a strong appeal to anyone who wanted to feel legitimated in their identity as a ‘deviant’ fan. Further evidence of this from the case study is provided by the two C shareholders. As we have seen, their dividends package is much less attractive than that of the B’s, and they are not entitled to vote on company direction. The way that investor C2 prefaces her questionnaire response to me is indicative of a sense of lower status: “*Anything else you need from me just give me a shout - I am only a lowly c category shareholder, but I'm willing to help!*” The correspondingly reduced legitimacy and self-esteem that this leads to is further apparent from the C1’s statement “*I don't feel it is my place to impose my views when I am such a minor investor*” (apx3: 178). Nonetheless, both felt positive enough about their involvement to respond to the questionnaire.

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⁵ She describes her ‘attachments’ to Patsy Cline, William Morris and John Dewey among others.

To sum up this section then, it appears that all of the investors are attracted more by the band's authenticity and independent values than by the potential for a financial return. This suggests that there is some accuracy in Hetherington's description (1998: 5) of the characteristics of people pursuing an 'alternative lifestyles' and exhibiting the following characteristics:

- *Seeking authentic experiences*
- *Empathy with marginalised others*
- *Creating spaces for interaction*
- *Moral solidarity within those spaces*
- *Identification with others through physical expression*
- *Interest in alternative knowledge*

Through their proximity to the band, the investors have found an authentic experience provided by a marginalised group. Together they have created a space – in the form of the record label – which provides them with a secure zone within which to interact with those who share their values and objectives. Their physical expression in this case could be seen as the commitment of actual and substantial economic resources, and from this they have a firm justification for their desire to know and demonstrate as much as possible about the members of the band and the workings of their business. How this is actually done will be dealt with in the next section.

2.3 How successful was it?

Although we already know that the band did succeed in attracting investors in Alamo Music, this in itself is not a sufficient evaluation of the model's success. I wish to quantify this more accurately by examining the objectives and targets set. These are distributed throughout the business plan and are mostly unquantified, e.g., "*we believe we can make the first Four Day Hombre album release via Alamo Music a genuine success, not only in terms of raising the profile of Four Day Hombre but in terms of making Alamo Music a viable, ongoing business concern*" (apx1: 144). In order to evaluate these more easily I will group them under a number of criteria questions that can be answered yes or no. I will then present the evidence for this verdict.

2.3.1 Has this model enabled them to raise the start up funding they needed? – *“In order get Alamo Music off the ground we need to raise roughly £50,000”* (apx1: 36).

Yes. We know that the band raised £84,000 (apx2: 29). This is an average of £2,900 per investor; over two and half times the minimum required. Roo confesses to their surprise that so much was forthcoming, as they had only expected maybe £20,000⁶. As I have tried to detail above, I feel the reason for this is a combination of carefully short-listing the potential investors and presenting a business case that appealed to them on a number of levels, including personally and psychologically.

2.3.2 Has it allowed them to maintain their independence? – *“Four Day Hombre will remain in complete artistic control of their recordings during their creation, [...] we intend to make a success of this venture without any compromise”* (apx1: 53).

Yes. The record label has performed the intended role of a barrier between the band and other influences on their creative outputs. This is demonstrated by the band’s expansion through individually-negotiated licensing deals with other independent partners, and their ability to revise their output schedule (see below). Furthermore, the band are also perceived as being independent, as evidenced from C2’s reaction that she was *“happy they finally decided to start Alamo and not have to put up with other people’s terms”* (apx3: 199). Significantly, these ‘other people’ still include the investors, who, despite their significant stake in the label have no say on what the band do creatively. As Roo says, *“if they all vote ‘we wanna do this’ then they’ve got it”* (apx2: 36). The truth of this statement is evidenced by the frustration investor C1 describes in not being able to influence *“a number of decisions I have disagreed with from a business perspective”* (apx3: 177).

⁶ Possibly due to this, we notice that the allocations also differ from those set out in the business plan. 51% to the band not 50%, 48% to B class investors not 40%, and 1% to C class investors not 10%.

2.3.3 Has it generated the financial returns promised? – *“B’s were promised a 160% return on their investment”* (apx2: 56).

No. The band set themselves a first album sales target of *“10,000+ in the first stub year”* (apx1: 510). If this had been achieved it could have generated a return of over £85,000, enough to repay their investors on its own. We know from the interview that not only have the investors not received their dividend yet, we also know that the band has not recouped its debt to the Alamo; *“they still owe the label £30 or 40K for what we advanced them and paid for the recording.”* As Roo admits, *“it hasn’t happened yet; it might be album three where we break even”* (apx2: 57).

2.3.4 Has it enabled them to reduce their operational costs? – *“an independent label with low costs [...] can work at a vastly more efficient cost-to-profit ratio”* (apx1: 129).

Yes. We know of their intention to offset Simon and Jason’s commercial skills against the costs of marketing activities performed by third party organisations. We learn from Roo that they traded their skills with Home Advertising, the one company to invest, in exchange for them running their advertising campaign. They also set themselves a marketing objective: *to position and build the Alamo/FDH brand regionally and nationally, achieving national recognition within 12 months of launch*” (apx1: 507). The strongest evidence of this is the media coverage they enjoyed, initially through Ian Young’s feature ‘Fans Splash Cash for New Band (BBC Online, 2006) and also on the cover of Forbes magazine across the US. Both of these show the potential for a press release to act as free advertising if the content is genuinely newsworthy; a strong case for the power of the concept itself.

2.3.4 Has it enabled them to meet the recording targets they set? – *“We intend to record and release up to 3 albums over a three to four year period”* (apx1: 16).

No. The band set three album cycles over a three year period, each with two singles. Alamo music has have released one album “Experiments in Living” and four singles. They have also released a DVD, “A Night at the Theatre” and a seven-track, so-called ‘mini-album’, “Fight Death”⁷. However, that this output does not match with the targets exactly is not necessarily an indicator of failure. As they state in the business plan, “*We plan to review company performance and accounts with shareholders after the first 12 months of the company’s operation with the view to doing a second album around January 2006*” (apx1: 431). We also learn from Roo that they are currently in the middle of recording the second full album, and that they have already recorded another E.P. which will serve as a “*bridging release to keep up their profile in the meantime*” (apx2: 179). Indeed, their output appears set to exceed the recording targets stated in their contract, assuming they continue to produce outputs for its full duration. Furthermore, the flexibility and responsiveness could be perceived as further evidence of the benefits of independence. If the band had signed an agreement with a major label, amendments to their release schedule would have been out of their control.

2.3.5 Has it enabled them to expand?

Various areas for expansion are found in the business plan. Firstly they intend to seize opportunities for expansion into new markets through “*licensing deals with majors or independents in the UK or overseas, distribution deals, synchronisation deals and high profile tour support*” (apx1: 333).

Yes. Although not all of the above opportunities have materialised, some certainly have. As we know from the interview with Roo, the band toured for 6 weeks with Embrace; a high profile act, at least on the ‘indie’ circuit. Furthermore, they have independently licensed the album for release in the US, Canada, Japan and Germany-Austria-Switzerland as one territory. We also learn that they won a synchronisation deal for a mobile telephone and corporate sponsorship from two large US corporations.

⁷ Wikipedia

Secondly, they intend to increase the "*number of gig attendees*" and their "*profile and fan base*" (apx1: 512).

Yes. As Roo notes, "*it's interesting to see it opening up now. For the first time last year we started to see more and more teens*" (apx2: 127). We also learn that they "*now have 12,500 people on the mailing list and maybe a few thousand of them are the real nutter fans. There were 3,000 single sales in the first week...that's them going straight out and buying it*" (apx2: 106). Compared to the figures in the business plan, the overall fan-base appears to have increased nearly four times and the core fan-base – the 'nutters' – has increased nearly three times. In addition, they have built an international street team of 500 people, actively working to help them expand.

Finally, they intend to develop the label itself, "*once the company has sufficient cashflow [...] signing and promoting other artists*" (apx1: 536)

No. As I have already established, the label has not yet broken into profitability and so it does not have the sufficient capital to consider this kind of expansion.

2.3.6 Do the investors feel it has been successful? – "*We can promise that investment will prove an exciting, satisfying and rewarding way to become an integral part of something very special*" (apx1: 53).

This question cannot be answered with a simple yes or no, and I have evaluated it based on the evidence from the individual investor responses. Superficially, I feel there is sufficient evidence to suggest that the investors are very pleased with progress to date. It is significant that they were never given a specific date by which their investment would mature, the only time-frame fixed was the three-year duration of the contract. Consequently, until this date is reached, the shareholders cannot rightly claim that the venture has been a failure – the potential that existed at the beginning is still present. Indeed, given the achievements to date, that potential appears to

have increased. As far as the investors are concerned, it appears that they just want to see their contribution has been used properly to add value. The quote from investor B1 (apx3: 26) seems to capture the generally positive attitude:

“The initial investment did get an album recorded and eventually launched, and it has been a struggle but it was a good album. In the medium term there have been an number of exciting opportunities for the band that might prove fruitful. Alamo Records have put an awful lot of time and effort in trying to get the investment to work, as have the people supporting the band. Our invested money has gone an extraordinarily long way and people have gone out of their way to promote the band.”

So, despite the lack of the financial return, if the handful of responses I received are representative of at least some of the views of the entire investment community, they do indeed feel excited, satisfied and/or rewarded as promised. I feel that the explanation to this is offered by the literature on cultural capital.

2.4 The significance of cultural capital

This is a concept presented by French sociologist, Pierre Bourdieu (1930-2002)⁸, known for his work relating taste and aspirations to social class. As a theme, cultural capital is prevalent throughout work on identity, fandom and sub-cultures. I find Fiske’s (1992: 31) description most useful:

“ ‘Investing’ in education, in acquiring certain cultural tastes and competences, will produce a social ‘return’ in terms of better job prospects, of enhanced social prestige and thus of a higher socio-economic position. Cultural capital thus works hand in hand with economic capital to produce social privilege and distinction.”

Fiske describes a ‘**shadow cultural economy**’ within which fans create a culture with its own systems of production which pays dividends in the pleasures and esteem of one’s peers, alternatively described as being ‘cool’ (Thornton, 1997). Greater investments in this culture would therefore offer greater social rewards. The best example of this is investor B1 who describes his personal investment in actively promoting the band (by wearing t-shirts, using the band as a conversational gambit, displaying a poster to attract the attention of visitors to his

⁸ Wikipedia

house). These small investments appear to repay him with a clearer sense of social identity and self-confidence in asserting his fandom. If this kind of behaviour is not atypical for the investment community, this is a convincing reason for why at least some of the investors feel satisfied only with the intangible returns they have had. By contrast, investor C1 reveals himself also to be a musician (apx3: 189). Assuming then that he derives his predominant musical identity from this, not his relationship with Alamo, it is not surprising that his investment priority is more business focussed.

However, as Fiske goes on to describe the differences between the shadow economy and real economy, I think an even stronger reason emerges. Because cultural capital is not official capital (i.e. money), fan productivity is not repayable in real terms but in the intangible benefits, as evidenced above. Fiske suggests that the pleasure of fandom is limited in that it allows people without official capital to be rich in cultural capital only within their fan community, but not beyond. This model appears to change the rules however. Normally the cultural investment and return process would be metaphorical, but here an official system is also the object of the fan productivity – their investment in time and effort to support the band. The consequence of this is apparent when examined in terms of a band's achievement of mainstream popularity. A band would normally only see any financial reward for their efforts, or those of their fans, once this status had been reached. At this point also, fans would be rewarded only in terms of vindication of their taste but not see any of the band's new found affluence regardless of how influential they considered themselves in this process. By making both a cultural and official capital investment both band and investor benefit financially at a stage in the band's career when they would not normally do so.

Furthermore, the inseparable relationship between the band and the fans here means that their cultural capital return has value beyond the confines of the investment community but within

mainstream culture via the band's exposure in the media. In other words, they have the potential to be perceived as 'cool' by much greater numbers of people. I believe that the factors described above are fundamental to the investors' impulse to support the band the way they have, allegedly writing off their investment while carefully contributing through their efforts to minimise the risk of not ever realising this reward.

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I feel that formalising a band as a small music business using a limited company model offers a number of clear advantages to both band and fan. Because the investment model so closely reflects the framework of shadow cultural capital economy it feels natural rather than contrived or unethical for music fans to participate. Consequently, the enhanced intangible benefits derived from their involvement serve to offset the long time taken for them to enjoy an economic capital reward. To recap:

- 1) The investors have all written off their financial investment.
- 2) The investors have all invested personally in terms of time and effort.
- 3) The investors have all rallied around the values of independence and authenticity exhibited by the band.
- 4) Their personal involvement enables them to assert their identities in relation to the values the band and the record label represents.
- 5) Their significant financial investment affords them a sense of legitimacy and self-esteem as professional fans.
- 6) Their cultural investment repays them in terms of their social identity and individual identity.
- 7) Their combined investment provides unexpected official capital rewards for both band and fan.

3 Case study part two: broader applicability

3.1 How significant is it to the industry?

While it is clear that Four Day Hombre and their fans have benefited from the approach they have taken, it is not yet clear if it is of fundamental benefit to the future of the music industry. Given what I have described above, this model appears to have potential to be considered an innovation, but this should be judged carefully.

“Sometimes people call an idea innovative, meaning it has the potential to dramatically alter an industry, a market, a firm or the way a customer lives. [...] An innovation has to create value for the customer in a new and unique way, [...] a product that is different, but does not create new value for the customer, is merely a novelty.” (Strategy 2 Market, 2006)

If this model can be adopted by other musicians and enable them to generate the funding to get their small music businesses off the ground, earning them the chance to have their fate decided by the market, then it could alter the shape of the industry. Once established, we have seen that artists can generate capital from their fan-base, for example, Marillion’s advance sale of recordings⁹, and, at the highest level, Bowie Bonds. If it is also possible to do this at the lowest level then, then it suggests a continuum wherein artists could remain independent for the length of their career, should they so choose.

To assess whether this model could be adopted, what I shall refer to as its broader applicability, I will examine it according to three standards:

- Sustainability: can Four Day Hombre maintain their careers using this model?
- Scalability: can this model be expanded into new activities and territories for Four Day Hombre?
- Repeatability: can any new band use this model?

⁹ It is interesting that despite his previous fan relationship with Marillion, investor B1 didn’t make the connection between this and Four Day Hombre’s initiative.

Under each of these headings I will explore in more detail the relevance of some of the features that have emerged in the course of the essay so far.

3.1.1 Sustainability – can Four Day Hombre maintain their careers through this model?

As discussed in the evaluation of success in section 2.3, I have shown that the model generated the start-up funding required, and that this money, and the efforts of the shareholders, served to establish an infrastructure for generating and tapping income streams, and to strengthen the band's networks and reputation. The band has also attracted further capital support from third parties, overseas at least, which I believe takes them beyond start-up to survival. At no point have I been given the impression that the business was ever threatened with closure. However, the band has not broken even and we have no way of knowing if or when they will. Until they do and begin to start earning income from the income streams established that exceeds their other professional income, I must conclude that this model has yet to demonstrate sustainability.

Similarly, the investors have not yet received the promised returns and while this remains the case, this model can only be considered a failure in terms of business performance. As such, it is a novelty and a warning to other potential investors to put their money elsewhere. That this model has not yet proved decisive in this matter is perhaps the biggest challenge to its broader applicability. Nonetheless, the band is still well within their album release targets and the investors' expectations of this being a long-term project are proving correct. I have shown that the investors continue to feel satisfied with what they have achieved and that they continue to work towards realising the band's potential for the cultural capital rewards it provides. The cultural capital economics of the model appear to reach a breakeven point much more quickly, but in theory this should also be sustainable as, the more successful the band becomes, the greater cultural capital dividends will be generated. In lieu of a profit, it seems that the band will be sustained by the support of their fan-base for some time to come.

If the band is able to generate an income sufficient to lead the label to financial sustainability, then the model would have renewed attraction as a viable investment model. If it could be shown that fan-investors could enjoy a 160% return within a specifiable period, then this in itself be reason for the industry to pay serious attention. It suggests that the people would view the band as real investment vehicle and would be keen to participate for economic as well as cultural capital reasons. For Four Day Hombre, this would enable them to return to their fan-base and invite new investors to finance each subsequent release beyond the three-album commitment in the initial contract. Investors would still need to be carefully short-listed, and the investment targets balanced against what the limited number of potential investors could afford to pay. This, of course, is a significant variable, but as Roo says, *‘you never know who’s jumping up and down at front of the stage’* (apx2: 124).

3.1.2 Scalability – can this model be expanded from its current position?

The first element to discuss here is the band’s expansion into new territories. As we have seen, Roo’s discussions with labels in Japan and Canada have been around the option to exploit their recordings through licence agreements (apx2: 177). This is in keeping with the business plan, however, I feel it is pertinent to wonder if it is also possible to build relationships with partner organisations and ancillary agencies using the investment model. For example, the way they have traded skills and services with company investors, Home Advertising (apx2: 121). In the case of an overseas distributor, this would involve them performing their professional duties for Alamo, not in return for the usual commission, but as a shareholder in expectation of dividends. Obviously this is contingent on the model being proven to generate a return, but I also think that the time frame would constitute an obstacle. It is not in the nature of the industry to enjoy profits quickly; even the most dependable income streams for established artists – publishing

royalties – are only distributed twice a year. Nonetheless, the uncertain time frame that characterises this model might prove off-putting to some potential partners.

Another challenge for the label is the fact that in many respects it is the band's independence, manifested in their distinctive DIY approach, that has generated the curiosity to actually listen to and appreciate their music. It may be possible to eschew the strict investment model in order to expand, but perhaps only if the independent principles are maintained. I believe that this is fundamental to Roo's costly and time-consuming approach to developing his overseas relationships. All limited companies are answerable to their shareholders, but usually only at a business level. Here, Alamo Music must also demonstrate that their identity investment is being looked after too. If they do decide to licence to a major label, in strict violation of their values, then this may well undermine the value of their cultural capital. This might leave them vulnerable to the same criticisms of 'selling out' experienced by 'indie' bands entering the mainstream. Keightly (2001: 132) captures the sensitivities around this:

'while some devout fans of obscure indie or alternative bands might deny their neglected heroes access to a wider audience, the majority would cheer their favourite little band onward and upward. [...] Though they might turn against the group if it seemed either the new, mass audience liked them for the 'wrong' reasons (failing to truly appreciate the band as its original connoisseurs had), or that the band itself appeared to change, losing touch with its core constituency through its pandering to the crowds of the 'big time', most rock fans would want at least some popular success for their favourite performers.

It is not clear yet, how precious the values are to the shareholders but when the issue does arise I would expect opinion to differ on the subject of whether immediate financial benefits were worthy of their compromise, hence Roo's assertion, "*I might be eating my words in six months if the right deal comes along, but I think we'll always be independent in the UK*" (apx2: 195).

Independence also appears to have significance in terms of enhancing the commercial success of the artist. Ordanini's study of the Italian popular music industry (2006) demonstrated that bands which had been developed on an independent label enjoyed more sustainable chart success than

those which had signed directly to a major. This is partly attributed to the fact that ‘independent’ bands “usually embody a more complex cultural message in their offerings, a message whose diffusion at a large scale requires a long term effort” (Ordanini, 2006). Unfortunately, as we have seen, when this message does start to enter mainstream consciousness, small labels like Alamo are not necessarily geared up to effectively reach their new, larger markets. This leads to a tendency for independent labels to act as incubators for major labels which is presented as a criticism in Tony English’s introduction (apx1: 85). However, if Alamo does manage to reconcile its independent values with global expansion it is another significant indicator of potential scalability.

The second area of scalability refers to the expansion of the label’s roster. It is a key point in the business plan that they hope to sign new artists. Could they sign another band with a loyal, affluent fan-base and invite them to invest, reutilising their infrastructure and experience to manage the process? If Roo is right, and it is utterly dependent on selecting the ‘right’ band, then this brings Alamo to a familiar record company dilemma; which artists should be added to the roster to manage the risk of their investment. I have already explored the uncertainties of A&R in one of my previous essays and shall not repeat the issues raised here. However, the considerations of this aspect of scalability are better explored the repeatability section below.

3.1.3 Repeatability - can any new band use this model?

Roo clearly believes that it is possible, although he does modify this with conditional reference to the band’s ‘quality’ (apx2: 93). Despite my own attempts in this essay, this is clearly unquantifiable. The long industrial process of filtration from artist to market is still dependent on the unpredictable response of the market. With this model however, as suggested by Ordanini, the band brings with it a defined and guaranteed core market. Because of this I wish to look at the peculiarities of the Four Day Hombre example – as an inseparable band-fan unit – and consider the implications for the model’s potential repeatability.

As I have demonstrated, the ‘quality’ exhibited by Four Day Hombre is not only in musical terms, but also in terms of their professional transferable skills, their commitment and compromises, and their creativity in implementing this concept. While it can be argued that every band is the result of the unique combination of factors that the individuals holistically bring to the band, perhaps not all are quite so ‘fit for purpose’ as Four Day Hombre. This does not make it impossible to repeat with another band, but it does imply significant extra costs for activities that cannot be done ‘in house’.

The first feature is the band’s and fans’ age, or at least the maturity that it has brought - as Roo stresses, *“these aren’t just kids hunting for a deal”* (apx2: 5). Experience has taught them the realities of the industry and given them a sobriety that enables them are able to treat this as a long term project without allowing frustration or disappointment to threaten their stability. The maturity of the fan-base allows them to feel more comfortable with making the potentially indefinite investment that this model appears to depend on. The time they have spent playing together appears to be reflected in the music but is also an indicator of the length of the relationship with some of their fans, and is certainly a factor in the size and loyalty of their core fan-base. This coupled with the fact that the relationship is built around a set of core values creates an intensity and intimacy that may be only be attainable through time.

Of course the most significant factor in the demographic profile of the core fan-base is their financial status and disposable income. Roo was very sensitive about the perceptions of *“Rich Dad Syndrome”* (apx2: 163) but he was clearly instrumental in identifying the most promising investors. Access to investment capital here was also facilitated by the fact that professional status and disposable income come with age. It is quite clear then that while there may be many mature bands out there with a similar profile to Four Day Hombre, this model is not suitable for

newer, younger bands who have acquired neither a value-reinforced relationship with a band nor the financial stability to offer realistic support.

For them, the business model would have to be built around larger number of smaller investments, more in keeping with the C shareholders. Roo mentions the new-found teenage element of the market. I have illustrated that the power of this idea inspires unity around its independent values and would expect that as this younger audience becomes more familiar with the band that there would be a corresponding interest in the possibility of investing. These new, freshly-irrational, investors would bring with them potent exponential word-or-mouth promotional power, and bolster the street-team community. The volunteer promoter in Leeds provides a good example (apx2: 100).

While the two C shareholders who responded have more in common with the B's, Roo's description – "*mostly kids that want shares in a rock and roll band for Christmas*" (apx2: 42) – seems to correspond more closely with the larger teen audience referred to in my introduction. As I have already outlined, there are problems with this: it is prohibited by FSA regulations to invite large numbers of the general public to invest – these are not friends and family. Furthermore, the cost of business banking transactions and administration, and the huge giveaways of 'goodies' could render it financial inefficient. Marillion addressed this by asking their fans to make advance purchases of the album (Jordache, 2000); because they were buying a product rather than speculating, they were able to approach their entire fan-base, not just a handful of people. However, this is not in strict accordance with the model and again it was a mature band with an established market. An extant alternative that takes this idea to the n^{th} degree and attempts to involve younger, less-established bands is provided by Dutch organisation, Sellaband.

Sellaband provides an online framework for multitudes of bands to create profiles and manage their ‘believer’ relations. Because they are bound by German law, they are not governed by the same FSA restrictions on approaching the public for money to meet their \$50,000 targets (Sellaband, 2007). Moreover, because they are dealing in such large numbers of bands – there are over 5,000 currently registered – they can enjoy economies of scale: the minimum investment is \$50. In March this year, London band ‘Second Person’ became the UK’s first band to hit their target (Johnson, 2007). The most interesting thing here, however, is their response:

“Hearing the news that they had just been given £26,000 to make their first album would make most bands do something a bit rock'n'roll: go on a drinking binge or take some drugs, perhaps. As it was, when Second Person found out about their windfall, they made a few phone calls, smiled, then went back to work.”

While this subdued responses is probably due to the fact that none of the £26,000 is an ‘advance’, I also feel from exploring the site, that the ‘one-size-fits-all’ approach in some way fails to incorporate the cultural capital element present in Alamo Music. Of course, only the ‘believers’ can attest to this.

There may be another explanation, and this leads me to one final feature that would still impact on the repeatability even if other bands found themselves suited to the model: the significance of the press splash. When Four Day Hombre unveiled their masterplan to the press in 2006 they were the first band of their kind to do it and were consequently rewarded with media attention, which they successfully capitalised on. Today, ‘innovations’ abound – or at least the media is used to inform us that they are (Gibson, 2006) – and there is a risk that innovations will become the new standard as a new band is used to announce each incremental expansion of the power of the internet. That said, this model’s innovation is not technology led, rather it is facilitated by it, as the model is simply the reapplication of a traditional practice in a new area.

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In summary then, it appears that the broader applicability of this model cannot really be determined until this model can be deemed either a success or a failure. This will only happen when either a) the investors are repaid and Four Day Hombre begin to genuinely profit, or b) the band or the label disintegrate without the investors receiving their dividend. As there is no fixed time-scale, and no one appears to be in a hurry to see a return, the first of these scenarios would seem likely. As long as the band are still independent then I feel this would constitute a success.

4 Conclusion

I have attempted to draw cumulative conclusions at the end of each section so will refrain from repeating myself here. In short, Four Day Hombre have demonstrated that it is possible for a band with no market history to raise significant start-up capital from a source other than a larger record label, or a bank, thereby maximising profitability and retain creative control. They have also demonstrated that the unusual way that this start-up capital was sourced enabled them to extract extra value from it. Finally, they have demonstrated that there is mutual benefit to be had through maintaining a democratic band/fan relationship.

They have still to demonstrate that this model is a true innovation. Even if they do succeed in achieving the mass sales required to repay their investors and satisfy the remaining unmet targets this does not necessarily mean that it was due to their approach as there are so many factors involved in the achievement of market success. Furthermore, this one instance of success will still not act as a guarantee for any trying the same approach.

However, it does represent a start and the more bands that do adopt this model or variations of it, the more likely it will be that a useful paradigm can be identified. In particular it would be interesting to see a deeper exploration of the sensitivities around selling-out and the challenges of tapping the potential of larger, younger fan-bases.

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Appendix 1 – Alamo Music Business Plan (excerpts)

1 **Executive Summary**

Four Day Hombre have been honing their craft for the last five years, playing over 400 gigs and getting better and better responses from audiences. Having spent the last 18 months in very close contact with the mainstream music industry *Four Day Hombre believe that the time is ripe to start an independent record label with the intention of using this to release their own music and ultimately others'*. We believe that the mainstream music industry is in a confused and vulnerable state and that there is a gap in the market for small flexible labels selling a high quality and creatively marketed product on a relatively small budget.

10 We have decided, for hopefully obvious reasons, to call this label Alamo Music.

A detailed business plan follows this page which should answer any questions that you have regarding company structure, strategy, budget, cash flow and marketing. However, in synopsis:

- 15 • This label will sign Four Day Hombre to record and release up to 3 albums over a three to four year period. Although initially the focus will be on the UK market Alamo will be looking to ultimately license their product in markets across the world.
- 20 • The label will promote its releases using low cost/high impact methods of promotion which will take the utmost advantage of changes in the market place and new technology and media. The label will also build on existing relationships that the band have built with press and radio by using the very highest quality of bought-in national and regional press and PR expertise as well as utilising companies expert in professional online and digital marketing.
- 25 • Though releases will be available in physical CD format there will also be strong focus on all methods of online distribution. This is a rapidly changing market place and Alamo intends to be in a position to exploit any developments as they occur. Initially distribution will be via the bands own website, online retailers such as Amazon, Digital Download sites such as iTunes and Napster and physical distribution via high street shops

So, the question is why are you reading this document?

35 *In order get Alamo Music off the ground we need to raise roughly £50,000. We plan to do this by issuing shares in Alamo Music Ltd. There will be 2 types of shares issued for sale:*

- 40 • The first share-type are for people who wish to invest over £1200. Along with a great package of investor benefits, this share-type will be enjoy preferential treatment guaranteeing the investor dividend payment should Alamo Music be profitable.
- 45 • The second share-type are for people who wish to invest up to £1199 (with a minimum of £100) and will be invested in Alamo via a shares club. This share-type will enjoy a set of benefits including a potential for dividend payout should Alamo Music be profitable.

For both share-types, as an investment opportunity there is the potential for a substantial monetary return. The level of potential return is obviously linked to the level invested.

50 This is a fantastic opportunity to get involved with something great and 'stick it to the man'. Everything Four Day Hombre do is the antithesis of the mass marketed blandness of the major labels. We intend to make a success of this venture without any compromise and we can promise that investment will prove an exciting, satisfying and rewarding way to become an integral part of something very special.

55

Four Day Hombre are booked in to record their first album (and Alamo's first release) in a

60 superb studio in France with a great producer this coming January and offers to invest are already coming in. We believe that our time is now and if you do wish to become part of Alamo we'd love to hear from you as soon as possible.

We are seeking offers of interest in this adventure by Monday 6th December 2004.

65 Thanks for reading and if you have any questions don't hesitate to get in touch.

Four Day Hombre x

* * *

70 "The majors' business model is under strain. It is predicated on paying substantial advances and spending substantial amounts of money on recording costs and marketing to develop artists, get them in to the charts and achieve substantial sales. The traditional business model relies on the major success of a limited number of artists paying for the lack of success of the majority of artists. The continuing downward trajectory of global sales has led to the returns that

75 the majors have been dependant on reducing in the past few years. This in return has led to majors wanting the artists to be fully developed when they sign them. On the whole, majors appear to have completely abdicated responsibility for developing artists as obviously signing a fully developed artist reduces risk to the record label, as they know what they are getting when they sign the record deal.

80 The financial strain on the majors has therefore made them more risk averse and there are indications that they are looking at their model and considering moving into areas where they can take advantage of the income streams generated by artists outside the traditional sale of records. The major record companies have a threshold for sales under which it's simply not

85 worth their while signing artists. Unless a record label believes they can sell at least a quarter of a million albums, they are not geared under their current business model to signing and developing that artist. This has led, to my mind, to a significant opportunity for new start up labels."

90 Tony English, Senior Founding Partner, Russells Solicitors¹⁰.

* * *

95 *"Scorching and beautiful in all the right places"*

Jo Whiley, Radio One

100 *"Brilliant, proper emotional and thoughtful guitar angst. Just buy it"*

The Fly

105

110 *"Beautiful and furious."*

X-Ray Magazine

¹⁰ Russells is possibly the most successful music law firm in the UK. Clients include Coldplay, Travis, George Michael, Warner Music etc. They are also our lawyers.

115 * * *

Foreword

120 Four Day Hombre have, following years learning their trade and gathering information on the Industry, decided to take their future into their own hands. To this end they are creating their own label, whereby the band can produce and record the music they want to make in the way that they want to make it. Having spent eighteen months listening to and waiting for the Industry it has become clearer than ever that if you want to get things done properly, you'd better be prepared to do it yourself.

125 We believe that there are music lovers whose needs are not being met by the current music business and whose interests are not covered in the current music media. We know that there is an audience (disillusioned music fans in the 20-40 age range) who are very open to buying into intelligent, moving, emotional music produced by a new band.

130 We believe that the bloated and outdated industry model of releasing a record with a very high upfront spend on all media fronts in the hope of hitting the jackpot is a high risk and dangerous enterprise. We believe that an independent label with low costs in these days of new media can circumvent many of the risks associated with a major label release as well as working at a vastly more efficient cost-to-profit ratio.

140 Four Day Hombre's internal skills and resources, coupled with our network of music producers, radio professionals, pluggers, press agents, film producers and directors mean that to-date, all artwork, audio production, promotional artwork, copy and video production has been the result of internal creativity. Essentially, through pure tenacity and resourcefulness, ALL Four Day Hombre output is due to the band's hard work.

145 This level of achievement through purely in-house methods is unheard of throughout the UK Music Industry.

This is key to our strategy over the coming year. Through utilising in-house skills and our network of key contacts we believe that we can make the first Four Day Hombre album release via Alamo Music a genuine success, not only in terms of raising the profile of Four Day Hombre but in terms of making Alamo Music a viable, ongoing business concern that can continue to make a difference long into the future.

In this document we hope to show that:

- Market conditions are eminently suited to the creation of a new label based around the music of Four Day Hombre
- That we have or can source all the skills necessary to make a success of such a label
- That this label is a positive and worthy recipient of investment

160 We are currently seeking investments from fans of the band to fund the recording and release of our music through Alamo Music. This document is aimed at these potential investors.

* * *

Market Review

The state of the majors

"The music industry is one of Britain's biggest and most culturally significant industries, and lies at the heart of British popular culture"¹¹

¹¹ Banking on a Hit : The Funding Dilemma for Britain's Music Businesses, Kingston University's Small Business Research Centre, 2001

¹² Financing Your Music Business, http://www.cops.co.uk/finance_biz_page.html#self

¹³ <http://arstechnica.com/news.ars/post/20041022-4341.html>, 22/10/2004

¹⁴ Creative Industries Opportunities in the UK, Department of Trade and Industry, 29/06/2004 p.18.

¹⁵ Kevin Harris & Stephen Colegrave, Inside Music 2005

¹⁶ Passman, D.S, All You Need To Know About The Music Business, 1998

170 However, the music industry is in a state of flux. The facts are:

- Signings are much rarer than they were
- Record deals are smaller
- Profits and cash flow are down
- 175 • Overall music sales are up but the record market is more fractured so sales of individual albums are down.
- The Internet and new media are changing the market place beyond all recognition and major labels are finding it hard to adapt.
- New artists require a high level of start-up investment and marketing costs needed to make a significant impact within an overcrowded market place
- 180 • Only 5% of signed acts make any money but these acts cover the costs of the remaining loss making 95% of a major label's roster. The major label business plan is still built around this.

185 Because of these factors, large labels are finding it difficult to maintain their existing profit margins when releasing new artists. They are focusing on quick returns by signing acts based on lowest common denominator values and jumping on what is perceived to be the current bandwagon in a desperate scramble to keep profits high enough to please shareholders.

190 We believe that this is a major reason why we were not signed during the interest surrounding *The First Word is the Hardest*. Fundamentally we believe that the mainstream music industry doesn't get us and we don't fit what a major label thinks is a good, low-risk investment. We're not perceived as populist enough or 'cool' enough or part of any bandwagon.

195 * * *

The rise of the independents

200 As the majors' focus has shifted more towards risk-minimisation and back-catalogue exploitation, the independent record label has stepped into the role of artist development.

Over 90% of UK music businesses are small and medium-sized enterprises. This makes it all the more remarkable that the industry generates more than 130,000 jobs, earns around £1.3 billion in exports and contributes £3.2 billion to the value of the economy¹². Many of these small businesses started out as we are doing with a small amount of investment and deep-seated belief that there is a part of the market which existing businesses are exploiting poorly, if at all.

205 * * *

Sales trends

210 At the opening of the millennium, album sales were falling on an annual basis and the outlook was all doom-and-gloom. However, despite the issues of piracy, global album sales trends currently appear on the increase. According to the US organisation the RIAA (Recording Industry Association of America) report published in October 2004:

215 "CDs and all other audio and video music products shipped to retail increased 8.5% -- 289 million units vs. 267 million since last year. The dollar value of those shipments rose 4.5%"¹³

220 This is reflected in the UK. Despite the growth of peer-to-peer file sharing, total album sales increased by 6% between 1998 and 2001. In the final quarter of 2003, sales of music topped \$900 million in the UK. The UK is the third largest market in the world for music sales. The DTI have estimated that the UK may account for as much as 15% of the global music market¹⁴

225 Tony English again - "Because new labels don't have majors' large overheads and can use different ways of marketing, they can develop artists at a lower threshold, control initial costs better and make profit on lower record sales. When these labels have a major success on their hands, a major record company tends to buy them up as it's preferable to pay extra for something which is already successful than take a risk on signing developing artists. Many of the major international artists broken out of the UK in recent years have been developed on

independent labels.”

230

With Alamo Music we plan to keep costs low. We aim to focus our efforts and resource on extremely specific and effective acts of marketing. These actions will be committed, authentic, intelligent and inclusive. This is almost the antithesis of how the majors are currently doing business.

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* * *

Competitive Overview

240

It would be a lie to suggest that Alamo Music will not be entering an already crowded music market. More than 25,000 new singles and albums are released each year, which creates a huge competition for retail space¹⁵.

245

The major competitors are other bands and labels that are also vying for the customer’s music choice. Many of the albums that are currently available or will be released during our release cycle will appear to be in direct competition.

250

However, listening to music in itself is a vital part of many peoples’ lives. The music sector is unique in that it has the capacity for almost infinite expansion¹⁶. Many people have an almost insatiable appetite for hearing new music from new bands; whilst also aligning themselves to bands that they fall in love with.

The major weaknesses of the competitors are:

255

- Many release strategies are built around poor product or song-writing
- Larger competitors are slow to move and have to attain very high sales figures to stay alive. They therefore have to focus marketing budgets on high-cost / high-return activities. In doing so they ignore smaller scale but potentially successful activities
- There is a high degree of pressure on the artist to quickly produce material and results at the expense of creativity, freedom and integrity.

260

The major strengths of our competitors will be:

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- Usually, they are more established commercially and have built up a strong network of contacts and services
- Established artists and labels have a reputation that, if correctly managed, allows an easier access to the marketplace whenever they release something new.
- Usually, they will have larger marketing budgets, so will be able to enjoy a higher level of exposure
- If established, competitors will have their own strong fan base

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Our weaknesses are:

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- We have limited funds
- We are a new label entering the market – this will be our first album campaign
- It takes time to solidify a network for distribution and sustained PR

We are addressing these weaknesses by:

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- Developing a realistic and focussed marketing campaign that will maximise impact for minimal spend.
- Seeking consultancy from more established and successful labels whom we have good relationships with
- Taking advantage of newer and ‘guerrilla’ forms of distribution

285

Our major strengths are:

- We have a fantastic product
- We have already achieved a degree of brand recognition and exposure which is rare for an unsigned band

- 290
- Our low costs and lean business structure mean that we can be successful with a relatively modest amount of sales and rapidly direct funds and cash flow to activities which best help us build on our existing and future achievements
 - We have many contacts and friends within the industry already offering their time and skills for free or next-to-nothing.

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What is Alamo Music?

300 Alamo Music will be run as a professional record label but we feel that it is important to maintain the sense of ‘family’ or community that we as Four Day Hombre have worked so hard to create.

305 Everything which we have ever successfully produced has been produced either in-house by the band or by people whose work we admire and consider to be friends. It works because we share a belief in what we do and because they all want to contribute some of their energy and skills to help create something that is unique, life affirming and full of integrity.

310 We are absolutely committed in this approach and feel that it is something that is lacking in the Music Industry today. It doesn’t take a huge amount of money to produce something great; it takes passion, talent and hard work. Between our extended family and ourselves we have all these in abundance. Even the creation of this record label is coming from those who have supported the band the most: people who have shown their commitment to the band by coming to countless gigs and with umpteen messages of support and are now willing to consider a greater level of involvement to help move things along.

315 However, Alamo as a brand will not take prominence over FDH. Whether online or offline the message needs to be consistent:

- FDH are releasing an album
- FDH have all creative control and are releasing the album INDEPENDENTLY

320 Our initial strategy is based around the following basic concepts:

1. Breaking even.
2. Increasing our profile and fan base.
3. Making profit.

325 This plan is designed to implement those key concepts to the best of our ability. We are certain that as we increase our profile and fan base other opportunities will present themselves to us. It seems best to plan to achieve those basic things and then be able to react as our situation changes. As we are not tied into a cumbersome long-term plan we can react to new opportunities as they occur.

330 These opportunities might include:

- 335
- A licensing deal with a Major UK or International label
 - A licensing deal with an Independent UK or International label
 - A distribution deal in the UK or abroad
 - Synchronisation opportunities in television, film or adverts
 - High profile tour support

340 However, our immediate plan is to set small achievable goals and as they are achieved set larger goals to replace them.

345 Our plan is to initially release three Four Day Hombre albums through Alamo Music. However, once the company has sufficient cashflow, we would like to consider signing and promoting other artists.

* * *

350 **Alamo Music Company Structure**

Alamo Music Limited will be a private limited company formed around the band Four Day Hombre. Alamo Music Limited will be jointly owned by its shareholders. Shares are being offered exclusively to our fanbase on a private basis at £1 per share with a minimum purchase amount of 100 shares.

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Alamo Music Ltd's registered address is:

Cavendish House, St. Andrews Court
Burley Street, Leeds, LS3 1JY

360

Alamo Music Ltd. will be split into three discernable groups:

- Three executive directors
- Company directors (the band)
- A number of Investors

365

Shares will be distributed as follows:

- 50% type A shares – these will be held by the directors (the band)
- 40% type B shares – these will be held by investors who purchase more than 1200 shares. B share holders will be represented at board-level by one of three executive directors who is also a shareholder. B-type shareholders will also receive preferential treatment in the payment of dividends
- 10% type C shares – these will be held by a share club which will issue shares to investors who purchase between 100 and 1199 shares

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All decision making as to company direction will be made by the executive directors. Voting rights will be split evenly between three executive directors. The executive board will be made up of:

380

- One band member – who represents the interests of the band
- One B-type shareholder – who represents the interests of the investors
- One non-partisan – who will be an experienced business person

385

Matters that the executive board will have power to vote on will be:

- Selling the company
- Increasing share allocation
- Exercise options to finance and release 2nd and 3rd albums
- Appointment/dismissal of directors
- Album budgets
- Signing of other bands

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The appointment of the band member executive director will be by a consensus between the band. The appointment of the B-type executive director will be by consensus amongst the shareholders. The appointment of the non-partisan will be by mutual consent between both band and shareholders.

395

The Executive Directors of the label will therefore control the strategic decision-making pertaining to the running of the business. However, as we've already mentioned, Four Day Hombre is more of a family than it is a business and we intend to operate Alamo using that same philosophy. We want Alamo to be an open and creative environment in which everyone involved can feel they are contributing.

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410 **The record contract**

Alamo Music will immediately sign Four Day Hombre to an exclusive recording contract. The label will then pay for the recording and promotion of the band's debut album, with the option to fund and release two further albums. The value of the company will be derived from the exclusive right to exploit these recordings in various ways. The contract is viewable upon request and will be a standard contract which an independent lawyer will confirm is fair to both label and the band. The basic points of it are:

- It is an exclusive contract – Alamo Music will own the worldwide rights to all recordings for 5 years
- Alamo will fund the recording and exploitation of the first album with the option to fund the recording and exploitation of the band's second and third albums. This gives the directors the *option* to release Alamo Music from their release obligations if it is felt that it is financially unwise to continue.
- The band and label will divide net profits on a 50/50 split
- The label has the authority to exploit the compositions itself or seek to license those recordings with a third party record label

Four Day Hombre will remain in complete artistic control of their recordings during their creation.

430 We plan to review company performance and accounts with shareholders after the first 12 months of the company's operation with the view to doing a second album around January 2006.

435 It is important for us to reiterate that both FDH and Alamo are close-family style operations and we always try to look after those who have given their support.

* * *

440 **Dividend Allocation**

'A' Shareholders

A shareholders (in other words, at this point, the band) will not take a dividend until B & C shareholders have recouped 160% of their total investment amount (no inflation adjustment).

445 After this point, directors will have the right to allocate dividends based on a 80/20 split in favour of the B & C shareholders.

'B' Shareholders package

450 Preference shares – people with B shares will receive 50% of net profit on an annual basis, taking in to account projected costs of the next album cycle.

As directors we have rights to issue a larger dividend on top of the specified preference.

Privileges:

- Playthrough of album after production
- Invitation to annual shareholders gig
- Exclusive access to the Alamo website shareholders area – web log, label news, sales reports, etc.
- Advanced access to albums before they go on sale
- Framed and signed album for each cycle
- Credit on the albums
- Guestlist allocation for live gigs where possible.
- A badge!

'C' Shareholders Package

Dividend payout will be issued on directors' discretion

470 Privileges:

- Signed/numbered copy of each album
- Advance availability of the album
- Access to share club area of the Alamo site
- A badge!

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* * *

The band

480 Four Day Hombre was formed in 1998 in the minds of a couple of Lancaster University students. They got some band members, wrote some songs, moved to Leeds, rented a house and over 3 months converted their own cellar into a rehearsal room... all before they'd actually played a note. That alone should give you some idea as to the conviction of the band members.

485 Over the past six years they have played nearly 500 gigs across the length and breadth of England, Scotland, Wales and the Isle of Man. During that time they have established strong links nationally with a network of live venues including the prestigious Barfly group. Unlike many new bands or artists, Four Day Hombre have a proven track record. They have been tagged as 'the UK's most hardworking band'. As an unsigned band they have achieved 3 weeks of Radio 1 A-list play and played live on Radio 1 to over 6 million people. They are readily recognisable as being one of the best live acts in the country, signed or unsigned, and have the will and the passion to take both the band and the label forward.

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The Mailing List

495 There are currently about 3500 people on the Hombre mailing list. Around a third of these are what we might call 'dedicated' fans. These are fans that regularly communicate with the band, attend live gigs and purchase product. We spend a lot of time maintaining and managing the relationship we have with our fan base and it will also remain one of our top priorities.

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The Marketing plan objectives

- 505
- To position and build the Alamo/FDH brand regionally and nationally, achieving national recognition within 12 months of launch
 - To achieve target album sales of 10,000+ in the first stub year
 - To position FDH as a successful independent band
 - To improve number of gig attendees

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The longer-term options

515 Our focus in this document has been on describing the first album's recording and release cycle with mention of the second and third album cycles. In many ways the level and type of success of this first release will dictate and inform the decisions we make for the next.

520 One future option might be that a larger label approaches us to purchase Alamo (they actually purchase the rights over the band and recordings outright). If, after discussing it with shareholders, the board feel that the company and its shareholders would benefit financially and the artists would benefit creatively from the sale then we would consider it. This would be very much a mutual decision.

525 However, we feel at the moment that it is both more realistic and desirable to remain independent and keep expanding and exploiting foreign licensing opportunities. Having been

writing for nearly 6 years, the band is in a fortunate position of having almost enough material for a second album already in place.

530 A third album would then be planned based on a similar cycle as the first and second. At each point of moving forward, though, all of our options will be considered and discussed with our shareholders.

Once the company has sufficient cashflow, we would like to consider signing and promoting other artists.

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* * *

Appendix 1: Meet Your Executive Directors

540 Members of the band itself bring a wide range of skills and experience to the Board:

Mark Ashwell – Drama BA (Hons), Music College Graduate

545 Mark's creative flair has been the backbone of the "Hombre Mail" throughout FDH's career. Copy is of a very high standard with an intuitive understanding of promotion of live dates, CD sales and the website. He has also managed the Four Day Hombre online sales department and mailing list database over the past 4 years, which now has over 3500 individual members. Mark has also worked on a number of film and theatre projects over the past few years in a number of performative and writer/director roles.

550

Rich Huxley – BA

555 With 8 years experience in direct sales within the business to consumer and business to business environments, Rich is adept at turning problems into opportunities, selling concepts, and building mutually beneficial, sound and lasting relationships. With 5 years experience in media sales and marketing, he is ideally placed for the negotiation of buying media at best cost. Rich is also a great motivator through his 5 years management experience.

Jason Miller – BSc, MSc

560 Jason has run his own successful web development business for over 5 years and as such has a large amount of experience in project management, budgeting, forecasting, and asset management. Jason is also an experienced web developer specialising in online database applications. He has been in charge of, or involved in, a range of web-based solutions, some of which have gone on to win awards. This experience has been used for a range of current band activities, including the current website.

565

Additionally, Jason's commercial skills can be used to partly offset the costs of marketing activities performed by third party organisations. In effect, we can trade skills with our partners.

Simon Wainwright – Fine Art BA (Hons)

570 Simon is a successfully self employed Artist, Graphic Designer, member of Theatre company "imitating the dog" and web-designer. His portfolio includes design for the Four Day Hombre website, artwork generation for all FDH promotional materials, merchandise and releases, Jet 2, Merc Clothing and the Nuffield Theatre. Simon has been instrumental in directing the recording and production of the Four Day Hombre singles, which have achieved national critical acclaim.

575

Additionally, Simon's commercial skills can be used to partly offset the costs of marketing activities performed by third party organisations. In effect, we can trade skills with our partners.

Mark Waring (Ed) – Philosophy BA, Information Management MSc

580 Mark has been instrumental in the recording and production of *The First Word is the Hardest* and *Mr. M*. With an ear for detail, he has overseen the whole recording process from microphone placement to mastering. He has an excellent knowledge of the Music Industry and is also an expert researcher. As a Technical Support Specialist he assesses business risk on a day-to-day basis and has well developed Project Management skills. As a keen photographer

585 he has taken the vast percentage of shots that are displayed on the Four Day Hombre website.

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Appendix 3: Foreign Territories

590 Foreign territories offer Alamo a vast untapped source of fans and income. There is a particular
kudos attached to English bands abroad, especially ones that play music in a similar vein to
Four Day Hombre. We are confident that both the public and Industry within Europe and the US
will be very receptive to our music. The UK is a notoriously difficult market to crack; the bands
595 that are enjoying success at the moment are of a particular kind and adhere to the 'bandwagon'
mentality described earlier in this document. In Europe and the US, however, although that
situation exists to an extent, it is not as prevalent as it is here. When you consider the fact that
we will already have the product ready to go by the time we tour these territories, the chances
of securing Licensing Deals within them increase dramatically.

600 Foreign markets are also the basis for developing any successful musical brand. The key world
market is, of course, the US with Japan and Germany following close behind. It has been
mentioned by many who have a knowledge of the American market that Four Day Hombre
would find a much more welcoming home there than at home, partly because the market is
simply so much larger, but also because the market has a particular affinity for our style of
605 music. We have contacts in LA who are already discussing a tour of the area for us and we will
be certain of targeting this region once the album is recorded.

Appendix 2 – Interview Transcript: Roo Piggott

The interview was recorded digitally to enable me to transcribe it accurately. Although it took place as a natural conversation, I have removed my own interjections as I felt they were intrusive. Furthermore, I have punctuated his narrative and colloquial discourse according to my own judgement for the benefit of the reader.

1 Q1 – Tell me how the idea came about

5 *Well at that time FDH were just growing and growing, they'd been approached by Sony, Island and Beggars, people like that, and there were some good deals offered. But these are intelligent guys, not kids hunting for a deal. It's a job, they want it to generate an income, it's a business to them. They turned the offers down over creative control issues. They weren't going to be fully in control of it.*

10 *So we sat down for weekly meetings for four or five months and eventually came up with the idea of being fan-funded, but we were worried that the fans would feel they had some kind of control, vocal input about the sound. So we decided to put a record label in the way and they sign the band and the fans have no direct control over the music.*

15 *The band were involved right from the start, they are all intelligent lads, Jason, the bass player, he has his own web development company, and XXXX, he was one of the initial directors, he has a great business background. Well there were lots of arguments, lots of too-ing and fro-ing, but a truly great bunch of people – I can't really lay claim to it personally.*

20 *And once we'd circumvented all the legal stuff we just got on with it. By the legal stuff I mean that the FSA doesn't allow you to just ask anyone for money, it has to be a contained invitation up to a maximum of I think it's 50 or 60 people, and you have to already have a relationship with them, either through business or friendship. I'm not really sure about the details, we consulted a solicitor.*

25 *But even though legally it would have brought the FSA down on us to have done it this way, for the press spin we said we wrote to the fans and invited them to invest. In fact we just spoke to members we knew or were family, people who had always expressed voluntary support, financially or manpower. So in the end it came down to 28 people and myself, I put £3.5k in. We expected maybe £20k for the album and a bit of marketing. Instead, we raised £84k in one*
30 *month.*

Q2 – How is it structured?

35 *Well the band became our A shareholders, they didn't have to buy in, they'd spent four years of their lives building Four Day Hombre. We gave them 51% of the company. They own it, have overall control. They've got their creative control, if they all vote 'we wanna do this' then they've got it.*

40 *B investors got 48% of the votes. B shareholders are those who put in £1.5k plus, and we got 29 of them, two of which put in £10k individually. Then there's a last group of people who are the Cs. They have 1% of the shares but no voting power. They get freebies, CDs, passes to shows, things like that. To them it's kind of a bit of fun, I'm not being patronising, but they're mostly kids that want shares in a rock and roll band for Christmas. They put in maybe £50 or £100 and there's only maybe a few, maybe 5 or 6 people.*

45 *In terms of decision making, the As and Bs are each represented by directors and then we invite someone from outside who is non-partisan to have a casting vote, not a shareholder. It depends on what the decision to be made is, so we've had Scott Cohen from Orchard Digital Distribution, and Mick Meadows from Xfm, people with knowledge of the industry to help and*
50 *guide us.*

Q3 - What did you offer investors?

55 *Well we wanted it all to be formalised before we offered it, but we invited people to buy shares in Alamo Records. We didn't know the actual value of the shares till we'd got all the money in, but we knew what they would get back. B's were promised a 160% return on their investment. We kicked it around, had long discussions with many people. But it hasn't happened yet; it might be album three where we break even.*

60 *We didn't set a time period, it's just so hard in the industry to put a date on these things. But the band only get paid after everyone else has recouped; they still owe the label £30 or 40K for what we advanced them and paid for the recording. It's just a gamble, it's almost like 'black or red' you know, put some cash on! The people who put it on knew it was a business risk.*

65 *The B's also get the opportunity to become a director and be voted in. We all had to write a little piece about ourselves, three people were elected. But no one else has been stupid enough to do what I do and run the label. But then I've always been up for a laugh!*

70 *And they'll all receive framed and mounted CDs and they get goodies too. There's 29 people out there who can say "I built this". The guys are just getting bigger and bigger, I've got 20 labels in Japan after them, they're touring Canada, XXXX are sponsoring their US tour. The investors are the ones who've put the cash up that has enabled us to get to this point.*

Q4 - Tell me about the band

75 *The guys have built their lives around the band. Simon the singer, he's a web designer and works for Jason who has the hosting company. Rich, the guitarist, he's a salesman for him, and he is a great salesman. Ash does the label accounts and the accounts for the band, and Ed is a brilliant photographer, he does the photographs and imagery. They do all of these*
80 *things for the band and then they do it all freelance as well.*

And they can do it on the road. They were away from home for 5 weeks touring with Embrace and then 6 weeks on their own tour and they were still able to earn money using laptops uploading through their mobile phones in the back of the van. They've just done it for so long it
85 *had to happen. They knew each other through bands before Hombre, they were in covers band together for a while.*

I have to say one thing; the over-riding thing of all of this is that the band are fucking great. They are stunning live. And it's not just us who say this; it's echoed in the press too. They
90 *were best live session on BBC Radio 2 in 2006, and independent newspapers listed them in the top five bands to live in the UK.*

This model can be applied to any band, but whether it'll work or not depends on the quality of the band. Why people respond to them like that I don't know? It's emotive, personal choice.
95 *But not every band is that lucky.*

Q5 -Tell me about the fan-base

100 *In two years we've built up the fan-base from 3,000 people to 12,000 and got a street team of 500 kids around the world. People give loads of support in terms of time. There's this guy in Leeds who's just incredible, constantly promoting, flyering, working the forums, and getting nothing for it.*

105 *I don't know what the appeal is, some bands are just like that, have crazy fan bases. We were on tour with Embrace and there are some real nutter fans, turning up to every gig, I mean fanatical fans. Elbow is like that I think, one of those really close groups. The Hombres now have 12,500 people on the mailing list and maybe a few thousand of them are the real nutter fans. There were 3,000 single sales in the first week...that's them going straight out and buying it.*
110

Q6 - Tell me about the investors

115 *They are mainly suits, ages range from thirty to mid-forties. One of the Directors, XXXX, is in insurance, not particularly happy with what he's doing, he just loves the band. He's at every gig, always at the front, jumping up and down. We never knew anything about him, or his bank balance, before we invited people to invest. It's very interesting. One guy was about to buy a new kitchen but decided to put the money into Hombre instead; I don't know how he got it past his wife!*

120 *We also had one company invest, a marketing and advertising agency. One of the early directors got us that deal. And we can use their services. The biggest individual contribution was from XXXX, who turned out to be a millionaire. He's just moved to the states. It just goes to show that you don't know who that is jumping around in front of the stage!*

125 *The investors appear to be the people from the first demographic that the band appealed to musically, but it's interesting to see it opening up now. For the first time last year we started to see more and more teens, jumping up and down and knowing all the lyrics.*

Q7- Tell me about your involvement

130 *Well a lot was happening for me at that time; it was around 01-02, and me and some other promoters were supposed to put on the mother of all festivals but then there was the foot and mouth outbreak and I lost everything. And I mean everything. I had everything on credit cards to pay off afterwards, I had to sell everything I had, houses, cars, I had TVRs and stuff like that. And then shortly after I developed epilepsy and cancer in the same month.*

140 *Anyway, I already had spent a while in the music industry, as a producer, studio owner, I was signed for a bit, had run venues, been touring, played festivals. And I met the band in Sheffield when I was putting on bands. I had 700 bands come through there over a couple of years and only three stood out, Four Day Hombre, Earth the Californian Love Dream and Amplifier. They've all gone on to do great things.*

145 *I've gone from just helping out, to running the label, to managing the band. It's been a journey. I had a load of music contacts from my work before in the industry and that's really helped. Once the investments had come in, I gave up work to help full-time, and I've pretty much done it for free, I mean although the label had some cash we didn't want to take wages.*

Q8 - Tell me about the media response

150 *It was a surprise for the industry I think. We ended up on the front cover of Forbes Business Magazine across the US and the world, then the BBC went with it, BBC Online. It was fascinating, it was all over the place, and of course it brings people to the shows. We orchestrated the peaks in Four Day Hombre's news and interspersed them with news about Alamo. Initially it was accidental but when we realised what was happening we, well, now it's managed. But there's more Hombre now and less and less Alamo.*

160 *We've kept up the momentum, and stayed innovative, we've got a guy making a video at the moment, he shot this amazing video that's all in a single frame, it got 30,000 downloads, so we got in the press with that, it got the Director out of BT and now he's in the states working with XXXX who is THE person to work with on video.*

165 *The first, biggest battle was with the music press. It was the 'rich dad syndrome'. It just looks like we've got a bunch of rich mates to put up a bunch of cash. The first people we spoke to didn't take it seriously, asked who were signed to, and I said, well we've set up the record label with money from the fan-base, and they just sat there and said, well you're not really signed are you. Just took it to be a gimmick.*

170 *I'm close to not even worrying about them, over here we can sell a few thousand records, overseas much, much more. Sometimes the press have been great, Ian Young at the BBC did a really good piece, but it's the reviews where they get their digs in, making lazy comparisons.*

Overseas reviewers seem to find out more about the band, and listen with that in mind to really work out what influences their sound.

175 **Q9 - Tell me about your future plans**

180 *We've got the album coming out in five territories, UK, US, Canada, Japan and Germany-Austria-Switzerland as one territory. They're in a church up in Leeds now recording material for the next album, and we've got a bridging release to keep up their profile in the meantime, an EP they did in New York. We've just got the music onto a mobile advert which is worth \$55k. We've support from Microsoft. They're touring Canada. XXXX have offered to sponsor the US tour.*

185 *I've just been for meetings with 20 different labels in Japan, consulting friends and contacts, and getting referred to different people, looking for someone independent who will work their ass off for us. It's like Safta Jaffrey did with Muse, broke them territory by territory. There's no point in signing a global deal that'll leave you screwed in every place except where you signed the deal.*

190 *Now I'm sat waiting for the offers to come back in. It's cost a huge amount to do it this way, time and money, but I'm taking a long-term view. Have to set up individual relationships, work hard to retain the integrity. That's the Alamo thing – 'resolutely independent'. 'We will have to take the fight to them!'*

195 *I might be eating my words in six months if the right deal comes along, but I think we'll always be independent in the UK. We can partner up with labels, even with the majors, although I spit when I say that. We know the UK scene, but we'd be crazy not to work with externals in other territories. We've had an offer from EMI, we'd be crazy to turn it down on the grounds that it's EMI. We can do deal where we work with them. But it's an active decision, not that we have*
200 *no choice, it's still an independent choice.*

Appendix 3 – Investor responses

1 **Investor B1** **Age:** 47 **Profession:** Software Testing Consultant
 Gender: Male **Amount invested:** £2,500

5 **Q1 - What was your initial reaction the Four Day Hombre email inviting you to invest in Alamo Music?**

10 *Initially it was a surprise. I never thought a band would ask fans for money (beer, yes!), but as I had seen the band at several gigs and was an established fan and spoken with Jason and Richard I knew they were not getting record/contract deals that suited them. Asking the fans to invest seemed almost logical as an initiative.*

Q2 - What different factors did you consider when making your decision?

15 *The first consideration was whether I had the money to spare. I knew that the chances the investment would pay off in the short term would be virtually non-existent and so effectively the money would be 'dead money'. It also meant that the band would have to 'break' for the investment to pay off. This would involve a lot of hard work for the band, the management and their representatives. There would also be an element of luck involved. In the end it was an opportunity to get involved in something I might not ordinarily get involved with, and as I had*
20 *cash to spare at the time I decided to invest.*

Q3 - How do you feel about the fact that you have not had the return originally promised?

25 *Not disappointed because I had assessed there would not be a short-term return. The initial investment did get a album recorded and eventually launched, and it has been a struggle but it was a good album. In the medium term there have been an number of exciting opportunities for the band that might prove fruitful. Alamo Records have put an awful lot of time and effort in trying to get the investment to work, as have the people supporting the band. Our invested*
30 *money has gone an extraordinarily long way and people have gone out of their way to promote the band - Roo being one of them.*

Q4 - What have you done personally since investing to protect or grow your investment?

35 *When the band has gigged in my local area I have tried to cajole friends and family to see the band. Have gained a few more fans for the band. In addition I have bought the singles and albums and loaned them out (an excellent way of losing CD's) to friends, family and work colleagues. I have actually managed to sell people my own copy of the CD's and then replaced them through the FDH web site. Have put posters on the Company notice board for local gigs.*
40 *In addition, when attending other gigs I have worn FDH tee-shirts which has prompted occasional enquiries from curious people. I shall continue to do this. I have a FDH poster mounted on a wall very close to the front door of my house. Anyone entering the house will see the poster which can be used as a trigger for conversation. I met the bloke who serviced my gas boiler a second time at an FDH gig. Friends and family occasionally ask how the band is getting on. And in social situations, when meeting new people, I have talked about the band and the investment I have made. It's extraordinary the number of people who are interested in such a venture.*

Q5 - When you think of 'music fans' what do you think of?

50 *Music fans will go out of their way to attend gigs, buy the music, and support a band any way they can. People who just 'like music' won't make that sort of commitment. Its making a little bit of extra effort rather than waiting for the band to gig at local venues or have the CD's bought for them for birthday or Christmas presents. Music fans won't be afraid of seeing bands they never heard of, or listening to music of a genre they are not familiar with. It is possible to enjoy Muse, Snow Patrol and Radiohead and then listen to Beethoven, Mozart and Elgar. (I have yet to work out how jazz fits in to this argument, but I'm sure somebody can).*
55

60 **Q6 - Have you made a significant personal commitment to one band/artist before? If so, please briefly describe your experience.**

65 *In the late 70's I got hooked in to Marillion before they got famous. Just by chance I was in Aylesbury one Saturday night with friends and we were looking for a pub. Quite quickly we heard music from one pub and realised there was a live band. We went in. The band that were playing we weren't too fussed about. The next band on was Marillion. From the very first song I realised this band had something both musically and lyrically. There was also a bunch of characters on stage. How many bands have a 6 foot 6 Scottish lead singer who can write the most extraordinary lyrics! I took flyers and then tried to find other gigs to attend. At the time I was on a very low income so to travel to see a band was a big financial commitment. I bought 70 7" and 10" singles (pre-CD days) and the first album when it came out. I followed their progress in the music papers of the time (Melody Maker and New Musical Express). I travelled to London's Hammersmith Odeon to see the first gig there (in those days if you filled that venue you had made it). Direct access to band then was made by joining the fan club (its called The Web; it's still going though my membership has lapsed) but you didn't get to meet the band. 75 The internet hadn't even been heard of so you had to make an effort to find out about tours and single/album releases. It was worth it at the time.*

80 **Investor B2** **Age:** 38 **Profession:** Director, Financial Services
Gender: Male **Amount invested:** £5,000

Q1 - What was your initial reaction the Four Day Hombre email inviting you to invest in Alamo Music?

85 *Didn't really happen like that. Got involved through getting to know the band members at the gigs and via my mate (also an investor).*

Q2 - What different factors did you consider when making your decision?

90 *The investment was not made on normal business and investment rationale (much more emotional than logical). I just felt it would be good to be a part of seeing a very talented band attempt to make it through non conventional means.*

95 **Q3 - How do you feel about the fact that you have not had the return originally promised?**

No problem. In my own mind I wrote it off the day I invested. Any return would be nice but very much a bonus. Let's say it is a very speculative investment.

100 **Q4 - What have you done personally since investing to protect or grow your investment?**

Try to keep a close link with Roo and the Band helping to contribute to the running of the business in a non formal sense.

105 **Q5 - When you think of 'music fans' what do you think of?**

Depends on the type of music of course. Generally though they are good, sound people that enjoy the escapism that a great band/ music can offer.

110 **Q6 - Have you made a significant personal commitment to one band/artist before? If so, please briefly describe your experience.**

No.

115 **Investor B3** **Age:** 31 **Profession:** IT Manager
Gender: Male **Amount invested:** £2,400

120 **Q1 - What was your initial reaction the Four Day Hombre email inviting you to invest in Alamo Music?**

They must be mad. Then I thought about it, and realized that it was an exciting project, at an exciting time in the music industry, and an opportunity not to be missed.

125 **Q2 - What different factors did you consider when making your decision?**

Whether or not I would have more fun investing in Alamo or going on a 2 week holiday in the sun. Alamo has been fun for years now. It was frivolous bit of fun.

130 **Q3 - How do you feel about the fact that you have not had the return originally promised?**

135 *I wasn't promised a return? And didn't expect one. I did expect an interesting journey, and the possibility of a long term investment in a record label run by bright young talented individuals, and I have got that in spades.*

Q4 - What have you done personally since investing to protect or grow your investment?

140 *Set up and run Team Hombre. Online PR. Director of Alamo Music. Various other bits and bobs helping out where I can.*

Q5 - When you think of 'music fans' what do you think of?

145 *it's a very broad question. Everyone is a music fan in some way or another.*

Q6 - Have you made a significant personal commitment to one band/artist before? If so, please briefly describe your experience.

150 No.

Investor C1

Age: 32
Gender: Male

Profession: IT Contractor/Company Director
Amount invested: £1,000

155 **Q1 - What was your initial reaction the Four Day Hombre email inviting you to invest in Alamo Music?**

160 *It was some time ago so it's difficult to remember. I am good friends with the band (as i imagine are most of the investors) so i was not very suprised.*

Q2 - What different factors did you consider when making your decision?

165 *Did i have enough spare money? I only briefly considered the returns as it was apparent that this was never likely to be a great investment.*

Q3 - How do you feel about the fact that you have not had the return originally promised?

170 *Not suprised. I always treated as a high risk / low return investment. I did consider putting more money into the band but i would have wanted far more control and involvement and I didn't feel that was appropriate given the members are good friends of mine. Something about mixing business with pleasure.*

Q4 - What have you done personally since investing to protect or grow your investment?

175 *Very little. I stay in touch with the band and try to attend AGMs where I will make the odd*

suggestion. To be honest, the band have made a number of decisions I disagreed with from a business perspective, but i don't feel it is my place to impose my views when I am such a minor investor.

180

Q5 - When you think of 'music fans' what do you think of?

People who enrich their lives with music and who find a dedication - for a wide variety of possible reasons - to one or two bands in particular.

185

Q6 - Have you made a significant personal commitment to one band/artist before? If so, please briefly describe your experience.

Nothing more significant than purchasing releases. (with the exception of my own bands.)

190

Investor C2

Age: 30

Profession: Teacher

Gender: Female

Amount invested: £400

195

Q1 - What was your initial reaction the Four Day Hombre email inviting you to invest in Alamo Music?

Pleased to help out my friends - happy they had finally decided to start Alamo and not have to put up with other people's terms.

200

Q2 - What different factors did you consider when making your decision?

Whether I could afford it, whether what I could offer would help

205

Q3 - How do you feel about the fact that you have not had the return originally promised?

Not surprised, just want them to do well, be nice to get a return some day

210

Q4 - What have you done personally since investing to protect or grow your investment?

Nothing different to before, support the boys in any way I can

215

Q5 - When you think of 'music fans' what do you think of?

People who enjoy the music of others

220

Q6 - Have you made a significant personal commitment to one band/artist before? If so, please briefly describe your experience.

No.