





Right: by encouraging fans to tape their concerts, the Dead anticipated the 'free' business model of West Coast entrepreneurs such as Facebook's Mark Zuckerberg (left) and Google's Larry Page and Sergey Brin (below). Previous pages: a skeletal Jerry Garcia and Steve Jobs of Apple

believes Seth Godin, who used to be vice president of direct marketing at Yahoo! Godin is the author of a dozen bestselling books on business and marketing that have been translated into 30 languages, including *Tribes: We Need You to Lead Us* and *Permission Marketing*.

A number of books about the band's innovative business methods are to be published. *Marketing Lessons from the Grateful Dead*, by Dave Meerman Scott and Brian Halligan, comes out this month. Meerman Scott is an online strategist who runs marketing seminars around the world; Halligan, an entrepreneur in residence at the Massachusetts Institute of Technology, is CEO of a marketing software firm.

These business theorists argue that one of the keys to understanding the Grateful Dead is appreciating that the LSD-inspired, improvisational energy that drove them helped them reimagine everything, from the way they played music to the way they interacted with fans, creatively and as a business. In doing so, say Halligan and Meerman Scott, "The Grateful Dead created an innovative business model that was the exact opposite of every other band's business model at the time."

"The Grateful Dead is an anarchy," said Jerry Garcia, the band's lead guitarist and central figure. "It doesn't have any stuff. It doesn't have any goals, plans, or leaders. Or real organisation. And it works. It even works in the straight world. It doesn't work like General Motors does, but it works okay. And it's more fun."

"Dynamic synchronicity" is how Barry Barnes describes the band's energy. Barnes is professor of leadership at the Wayne Huizenga School of Business and Entrepreneurship in Florida, and his book *Business Wisdom from the Grateful Dead* will be published in autumn 2011. He and others believe that this deconstructed West Coast approach to creativity has been a critical influence on many companies at the forefront of the digital revolution. These companies, including Apple

and Google, which sprouted from the same free-form Californian creative soil as the Grateful Dead, have transformed our lives and the world's economy. Barnes believes they have succeeded because, like the Grateful Dead in their music and business, they have not been scared "to improvise, to embrace errors as a source of learning, and to listen. The Dead taught that you can't rely on your habits; you have to be fresh to create solutions. If you made a mistake in old-style corporate America, you got your ass fired. The Grateful Dead would say, mmm, this sounds kind of weird, but let's see what happens".

When Steve Jobs returned triumphantly to the Apple stage in September 2009 after his liver transplant, he used the Grateful Dead's album *American Beauty* to promote new products. At the beginning of this year, he played *Friend of the Devil*, one of the Dead's most famous songs, during his keynote address to introduce Apple's revolutionary new product, the iPad. Apple's Think Different slogan could just as easily have been coined by LSD aficionados as by the world's most innovative technology company.

"The natural leader — Jerry Garcia — was very uneasy with having anybody in charge, even himself," says John Perry Barlow, one of the Dead's two main lyricists, "and while he exercised a huge degree of moral leadership, he did not want to be put in the position of making business decisions all the time." Perry Barlow, who went on to co-found the Electronic Frontier Foundation, the digital rights lobby, has become an important analyst of the digital economy. His essay *The Economy of Ideas*, published by *Wired* in 1994, predicted the demise of the music business in the face of digital file-sharing and rigid industry thinking.

Formed in San Francisco in 1965 at the time of Ken Kesey's large-scale LSD experiments — which Tom Wolfe wrote about in *The Electric Kool-Aid Acid Test* — the Grateful Dead were the house band for the early Acid Test happenings. The key members were Jerry Garcia, the bearded guitar



genius who was the band's musical and moral centre; Bob Weir, rhythm guitar and vocals; Phil Lesh, bass and vocals; Bill Kreutzmann, drums; and Mickey Hart, drums. Ron "Pigpen" McKernan, the band's original keyboardist, died in 1973 from complications from alcoholism. The Dead disbanded in 1995 after Garcia's death.

A rock band was hardly likely to be a model of capitalistic enterprise. And from their earliest days it was critical to everyone involved that the Dead were not in it for the money. "The band always had an ambivalence about money," says Barlow, deadpan, "and one of the ways it was addressed was by letting people rip us off periodically so that we wouldn't be burdened with it."

In 1970, Lenny Hart, then their money manager and the father of drummer Mickey Hart,





ripped off \$155,000, leaving the band “so broke that Kreutzmann briefly resumed poaching deer”, according to Dennis McNally’s history of the band, *A Long Strange Trip*. Garcia didn’t want Hart prosecuted. “Karma’ll get him,” he said. It did. In 1971 he was sentenced to six months in jail.

Garcia also refused to prosecute “Cadillac” Ron Rakow, the manager of Grateful Dead

live performances. The experience of watching the Grateful Dead live, rather than any of the albums they produced, was their “product”. In the past decade, as CD sales have declined drastically, almost every band and music star has realised, like the Grateful Dead a generation ago, that their main value comes from playing in front of live audiences and selling merchandise.

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Records in the early 1970s, even after he wrote himself a cheque for \$225,000 and decamped. Karma finally got him too: he was sentenced to five years in jail for tax evasion in 2007.

At their height the Grateful Dead were grossing nearly \$100m a year, more than almost any other band at that time. Barnes and others argue that they were able to do this by thinking different. Almost all successful bands made most of their money then from record sales and toured to promote their albums. The Dead turned that model on its head. Many of their albums, including *American Beauty* and *Workingman’s Dead*, became platinum sellers, but it was a very slow burn. They made most of their money from

The band played more than 2,300 concerts in the three decades it was in existence, an average of nearly 80 a year. Able to reach into an amazingly deep repertoire of some 150 songs, including bluegrass, American folk, blues, country, jazz and acid rock, the Dead became known not only for never playing the same set twice, but for never playing the same song in the same way.

“I remember seeing six shows in a row in 1991 and in the course of those six shows I think I heard 106 songs, with no repeats,” says Nicholas Meriwether, a Grateful Dead scholar who was recently appointed to run the Grateful Dead Archive at the University of California at Santa Cruz. This massive archive, called “one of the

most significant popular cultural collections of the 20th century”, consists of some 900,000 [CH] linear feet of documents and memorabilia — recordings, correspondence, posters, tickets, instruments, even the band’s conference table.

“Improvisational live performance was just one of the ways they created extraordinary customer loyalty,” says Barnes, who saw the band 194 times. “You were going to see something new and exciting and edgy every time you saw them.”

This commitment to live performance created an incredibly close, some would say mystical, relationship with the Deadheads, as the band’s fans were known, that would be the envy of any company today. While most bands enforced bans on fans recording their music at concerts, the Grateful Dead actively encouraged it. They set up a special “tapers’ section” at concerts, and sold “tapers” tickets. The one stipulation was that tapes could only be traded or given away free, not sold. Some marketing scholars see this as a precursor of the “free” business model advocated by Google, Facebook and others at the forefront of the digital technology revolution.

“Allowing Deadheads to tape our concerts was inadvertently brilliant,” says Perry Barlow. “But it wasn’t motivated by some sort of insightful understanding that we were inventing viral marketing. It was because we had mercy on our fans and they wanted very much to tape the concerts, and it’s kind of bad for your karma to be mean to a Deadhead, especially if you’re the Grateful Dead. As Garcia said at the time, ‘What the hell, it’s not like we’re in it for the money.’”

Allowing taping also implicitly recognised that traditional forms of copyright control didn’t mesh with the ways the Dead created their music, which was not in an isolated studio setting.

“We didn’t exactly write songs in the traditional sense. We kind of grew them,” Perry Barlow says. “They would start out in this highly germinal state and then develop over the course of time in very deep interaction with the Deadheads. The Deadheads were a fundamental part of the creative process, and their micro-responses would be subconsciously incorporated into the way the song got played the next time.”

The relationship with the Deadheads was enhanced in other unique ways. In 1971, a flyer was slipped into the cover of the *Skull and Roses* album by Jon McIntire, then their manager. It said: “DEAD FREAKS UNITE. Who are you? Where are you? How are you? Send us your name and address and we’ll keep you informed.” Within months the Dead had a mailing list of 30,000, and they began signing up thousands more on tour.

The most obvious way they capitalised on this was by taking control of ticket sales. In 1983, the band set up its own mail-order ticket service. This meant that Deadheads could travel to concerts without having to pay scalpers at the venues. Fans wanting tickets would send ➡➡➡

beautifully designed letters to the ticket office and often receive prized personal letters back from Eileen Law, who ran it. Most of these letters to the ticket office are now part of the Grateful Dead Archive.

By cutting out the middle man, the Dead were able to keep a higher percentage of the ticket price and, more importantly, to keep ticket prices much lower than other bands. In 1994, the last full year they toured, they sold more than \$52m worth of tickets.

The Dead commissioned the artwork for their logos, covers, posters, tickets and merchandise, but the Deadheads also produced an astonishing amount of their own stuff, such as tie-dyed T-shirts with variations on the famous Steal Your Face and Skull and Roses logos. This was unheard of. Almost every other group then and since has banned the selling of unapproved merchandise. Yet hundreds, even thousands of Deadheads would set up makeshift stalls in the parking lot outside concerts, selling all kinds of Dead-related merchandise.

This essentially ad hoc business model served the band pretty well for the first 20 years, but it began to crack under the weight of something completely unexpected. In 1987, helped by MTV, the band had their first top-10 hit, Touch of Grey, from the album In the Dark. This introduced them to a new generation of fans, but the success nearly destroyed, some say did destroy, them. They were forced into stadiums of tens of thousands of people, which made it impossible to retain the same kind of intimacy as before.

The bigger problem was that, overnight, money just poured in. “Suddenly there was so much money that you couldn’t pretend not to care about it any more,” says John Perry Barlow.

Persuaded that they were losing more than a quarter of a million dollars in merchandising revenue at each concert, the band felt compelled to clamp down both on ordinary Deadheads and on the more commercial operators selling T-shirts, candles and other items at their concerts — in just the same way that the music industry began to prosecute file-sharers a decade later.

Looking back, Perry Barlow feels this was a big mistake. “The Deadheads had an open-source creative community for imagery and stuff-making that was a great deal more interesting than what we could do in-house,” he says. “We stifled their creativity and it was not to our credit. But that’s one of those things that happens when there is money — there are lawyers who will come along and tell you what the responsible thing to do is. I think our sudden assertion of trademark was really counterproductive.”

After more than two decades on the road, most of the band had become “addicted to affluence”, in the words of one former manager.



The Grateful Dead performing at the Greek Theater, Berkeley, 1982

Dead’s business model has been borrowed and built on by companies like Apple and Google. “Apple, like the Grateful Dead, make it easy for their fans, and that’s how they both evolved,” he says. “Deadheads loved the Grateful Dead, just as almost everyone who uses Apple products loves them. They have both brought a passion into the customer relationship.”

And Barnes believes that, just as Deadheads deepened their relationship with the band by taping concerts, swapping tapes and making and selling a whole range of merchandise, “so Apple now has this enormous community of app creators and users. Apple and the Grateful Dead are on the same wavelength in understanding

Just as fast as the new money came in, it was spent. Despite playing to halls of as many as 10,000 in their last tour of the UK, in 1990, “the band lost money, because they brought every member’s family, putting 50 people into first-class hotels,” says the band historian Dennis McNally.

Grateful Dead employees — as many as 70 in the 1990s — had always been treated generously,

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with a number of secretaries and crew members making over \$100,000 a year. In the early 1990s even Jerry Garcia started spending lavishly. In 1991 he bought a new house with an Olympic swimming pool that cost \$1,200 a month to heat.

“The constant conflict in the band was, ‘Jerry, we’re going on the road again,’” Robert Greenfield, author of *Dark Star: An Oral Biography of Jerry Garcia*, has said. “And he would say, ‘More money, man? Really, what for?’ Garcia had no financial incentive to go on the road. The Jerry Garcia Band, one of various members’ side bands, was selling out venues that the Dead had previously sold out. His artwork and ties were earning him money. And he had royalties from Cherry Garcia ice cream. He had to ask himself, ‘What am I doing here with people who think I’m God, who are 30 years younger than me, who worship me but don’t know me?’”

There were even more serious problems, in particular Garcia’s drug habits. The early days were fuelled by marijuana and LSD, but from the mid-1970s cocaine entered the equation, and in the last 10 years of his life Garcia fought a serious addiction to heroin, which he smoked. He had severe health problems, all exacerbated by his growing unhappiness with the band’s “endless tour” and his own increasingly mediocre performances. Garcia died of a heart attack in August 1995. He was just 53. Although the Dead disbanded, the remaining members have continued to perform and record under different names.

Business theorists like Barry Barnes believe that, despite the difficult final years, the Grateful

how to reach out to their customers”.

Perry Barlow thinks the Dead did something even more profound, if inadvertently, by creating the template for commerce in the digital age. “If you have got the world’s greatest song in your head and you don’t let anyone hear it, it is valueless,” he says of the new business model. “And it goes on being of relatively low value until thousands of people have heard it, or millions. But then the value of that song is less intrinsic to itself than to the proposition that if you could create that song, you could create another. So your value as a creator is based on your ability to set up a relationship where people will have access to your future work.

“We have to get away from the notion that supply and demand is the only economic driving force. We have to realise, just as the Grateful Dead did, that in an information economy the key relationship is not between scarcity and value, but between familiarity and value.”

Forty years ago, before the internet, before Facebook, before Apple and the iPad, the most tripped-out band in the world had an instinctive understanding of that revolutionary proposition. While they allowed their most ardent fans to tape and distribute their music for free, and created a close, tribal community of followers, the Grateful Dead gave a value to the key element of their relationship with their fans: seeing, hearing, experiencing them play live. And made hundreds of millions of dollars doing it. The lessons they learnt are transforming almost every form of commerce and our lives in the digital age — the Grateful Dead’s most surprising legacy ■