

Inventing Margaritaville:
How a beach loving singer songwriter
built a business worth more than \$1 Billion¹

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“Wasting Away Again”

The headquarters of Margaritaville Enterprises, LLC is in a business park in a quiet area of Orlando Florida, just off the Florida Turnpike. The building is cool despite the Florida heat, tastefully furnished, and professional, while still being informal. It has the look of a successful business enterprise.

It is also very far away from the small, local bars in Key West of the late 1960's and early 1970's, among them *Sloppy Joe's* and *Captain Tony's*. In those bars, a young unrecorded singer songwriter played sometimes sensitive and sometimes humorous (and sometimes both) songs he had written about people with dreams, lost and found. The audiences he played to were sparse (and mostly drunk). It seemed the perfect start to a middling career in music. What it turned out to be was the beginning of a billion-dollar enterprise (O'Shea, 2016). One that built its success on more than just the music.

Its business success of revenues in excess of a billion dollars a year was built on consumer products, starting with t-shirts, and eventually moving on to gated communities. The audiences that came for the music stayed for the lifestyle. It is a lifestyle that was developed back in the early days and over time came to represent the dreams people had of needing a break from the pressures and stresses of their careers and lives. When the target audience dreams of kicking back, they dream of Margaritaville.

“Looking Back in My Background Trying to Figure Out How I Ever Got Here”

In 1946, James William Buffett was born, auspiciously enough, on December 25th in Pascagoula, Mississippi. Twenty-three years later he started a serious effort at being a musician. In the beginning, it was a solo act. Among the many disadvantages of being solo, there was one major advantage. You had to learn how to do business. In fact, you had to learn how to do everything, such as being your own manager, travel agent, bookkeeper, etc.

The success rate for individual acts, then and now, is not high. And it's not always the acceptance of the music that's the cause. Often, it's the inability or unwillingness to handle the financial side that leads to dropping out. If you're going to be successful, you have to be smart and diligent. Another critical piece of advice was imparted by *Billboard* magazine's Nashville editor, Bill Williams. He told Buffett to take care of his end of a deal, because everyone else is looking out only for their own end (White, 2017).

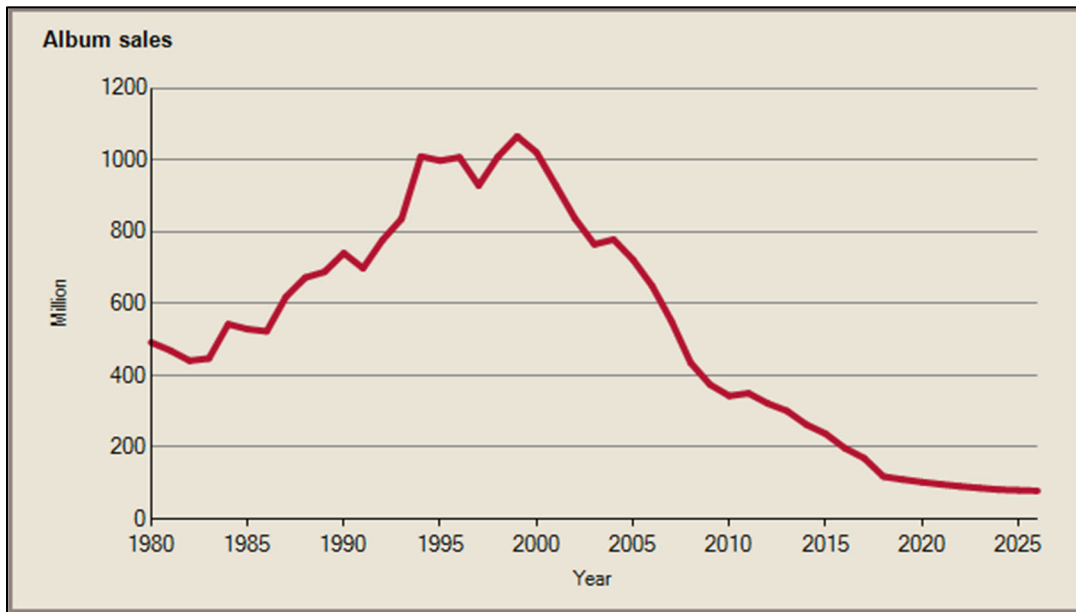
Playing clubs in Nashville and sometimes New Orleans can get you noticed. As a result, the Barnaby Record label released his first album *Down to Earth* in 1970. The promise was there; the sales weren't. Several albums later, in *A White Sport Coat & A Pink Crustacean*, the earliest tones of the beach voice began to emerge. Songs like “He Went to Paris,” and “Grapefruit-Juicy Fruit” were human interest stories, sometimes sad, but with touches of humor and some hot sun, turquoise water, and sand. It was about that time that Buffett moved to Key West, which would become an integral part of the music and the persona.

Key West in the early '70's was not the high-end tourist destination it is today. The population was composed of just regular people with more than a few quirks thrown in. Many of those people and their quirks found their way into later Buffett songs.

In 1974, the album *Living and Dying in 3/4 Time* was released. Among the increasing number of songs that hit home, it was a very special one. "Come Monday" was the first to make the charts. As a result, the recognition factor began to grow. "Come Monday" talked about the loneliness of a singer on tour and his love for his woman that he looked forward to seeing in just a few more days. Generally, in those early years of music, money was made from album sales. Concerts came about to promote the album. The entire process has flipped over time.

Over 10 years, from 2009 to 2020, album sales are expected to fall at an annualized rate of 11.1%, declining from 374.6 million to 103.0 million albums.

Table 1.



(Data and graphic retrieved from *IBISWorld Business Environment Profile, Album Sales*, July 2019)

As seen in the graph, album sales peaked right around 2000, at approximately \$9 billion in US sales, assuming an average price of \$9.00 each, and have declined from there. By 2025, its projected sales will be less than in 1980. Again, assuming \$9 per album, the total sales are projected to be about \$1 billion. The causes of this decline vary. For one, online downloading and the use of CD burning software led many people to create their own collections. At the same time, the advent of music subscription services such as Spotify, Pandora, Amazon Music, and Sirius XM have removed the need for a physical album collection, replacing it with a virtual one.

As a result, the need for alternate sources of income for artists has become critical. Concerts, growing in popularity, were positioned as the major source of income for recording artists. Throughout all the different concert promotion venues and agencies, there is revenue growth for the major concert promotion and ticket sales businesses. The agency with the single largest market share (22.4%) is Live Nation. “Over the five years to 2019, Live Nation's Concert and Event Promotion industry-specific revenue is expected to grow at an annualized rate of 12.1% to \$7.5 billion, including a projected 4.6% increase in 2019 alone.” See the following chart:

Chart 1.

Live Nation Entertainment Inc. (US industry-specific segment) - financial performance*				
Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2014	4,205.7	N/C	4.7	N/C
2015	4,712.1	12.0	91.3	1,842.6
2016	5,390.3	14.4	134.3	47.1
2017	6,728.6	24.8	63.5	-52.7
2018	7,126.6	5.9	180.0	183.5
2019	7,453.5	4.6	147.2	-18.2

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

(Figures and chart retrieved from *IBISWorld Industry Report 71133*, May 2019, by Tavi Kumar.)

As a result, knowing and cultivating concertgoers became a critical component of success.

“I’ve Got a Caribbean Soul I Can Barely Control”

Musicians that have been successful over a long period of time typically go through stylistic changes. Paul Simon began as an urban (that is to say, New York) folk singer and later introduced South American and African influences to his music. Bruce Springsteen began as a hard rocker; while he still rocks out, many of his later albums have a decidedly folk influenced and inward look. No two consecutive Bob Dylan albums or concerts sound the same. Many consider that the artistic side of what they do demands exploration and newness. As a result, it isn’t easy to pin down what music genre they are in. Is Dylan the original folkie, the protest singer, the crooner who revives American Standards, or as he has shown on his most recent work, a voice of life experience? Artists who remain original follow their whims.

Jimmy Buffett’s whim is to provide consistent enjoyment to an audience that has come to view his music as a way of getting away from it all. The early albums had a certain country

flair to them. Over time, you can hear the evolution of the music from *Down to Earth* to *Changes in Latitudes, Changes in Attitudes*. This album represented the change from the country-oriented songs to songs that were not defined by that category. The music became more personal and sensitive even when he used a more humorous and upbeat sound in his songs. His song “Margaritaville” and many of the other tracks established his Key West/Caribbean persona.

Over time, the beach-y escape songs began to dominate the playlist. Over the years, the subject matter varied, ranging from a cowboy in the jungle, to a trip to the far side of the world. Whatever the storyline, the sound of the music and the overall feel brought listeners back to a tropical paradise that, for almost all, existed only in their imagination.

The significance of this is that many people found fun and relief from their everyday lives through Buffett’s music, living out a beachcomber fantasy existence. As the pressures of work and family mounted in society, this escape became more important to listeners. Buffett commented to Time magazine, “I look out at my audience,’ Buffett says after the show, still vibrating from the rush of performance, ‘and I see people who are caring for aging parents and dealing with tough jobs and adolescent kids, and they look like they could use a little relief. And frankly, I could use a little myself” (Pooley, 1998).

The music itself bears this out. For the most part, the songs are fun, but with some notable exceptions. Consider this analysis as found in Popular Music History:

Table 2. Specific lyric information

Variable	Percentage of songs	Number of songs (n = 386)
Alcohol mentioned	26.68%	103
Alcohol glamorized	9.84%	38
Sex mentioned	7.51%	29
Promiscuous sex	6.48%	25
Drugs mentioned	6.74%	26
Drugs glamorized	2.33%	9
Illegal behaviour mentioned	6.48%	25
Illegal behaviour glamorized	1.81%	7
Violence mentioned	8.81%	34
Violence glamorized	1.04%	4
Brand name items mentioned	17.62%	68
Religion	13.47%	52
Derogatory about religion	2.85%	11
Escape	43.01%	166

(*Popular Music History*, 2014, Vol. 9 Issue 3, p270-284, Brank, Fox, and Kaspar)

The single most common theme of the music is that of escape. What the audience is looking for is that 2+ hour escape from all the stress of living today, and the concerts provide just that. For his fans, the fact that the music doesn't change is the key attraction. Knowing what to expect, when you look to the music to provide a temporary escape, is what created such a serious fan base. A fan base that grew throughout the years.

“We Are the People Our Parents Warned Us About”

As the audiences grew in the late 1970's, they were composed of fans of rock and the singer-songwriters of the time. Most of the audience wore casual clothes - jeans and tees – which was the unofficial uniform of concert attendees. It was at that time that making money became, not just a way to survive and build a life, but an end to itself. “Masters of the Universe” was the sobriquet for that group of (mostly) young entrepreneurs and stock market managers. The jeans and tee shirt culture of the '70's gave way to the silk suspenders and Rolex™ culture of the early '80s. Cultural heroes of the 1980's included Gordon Gecko in the movie *Wall Street* and whoever was on the cover of the latest issues of *Forbes* and *Fortune*. As a general name, this group was known as “Yuppies” (Young Upwardly Mobile Professionals).

But even though society was going through changes, some artistic trends resisted. Buffett's music stayed in its tropical place and people came to it. Appropriate concert attire became palm leaf hula skirts, coconut bras (worn mostly by men), parrot inspired headwear, Hawaiian shirts, and lots of colorful leis. The audience evolved as well, with many younger people coming to the concerts. And everyone was dressed in a tropical, beach-y, parrot-y style.

It was at this time the concept of “Parrot Heads” arose. Borrowed from the Deadheads that followed the Grateful Dead around the country, it came to mean those fans that showed up to every Buffett concert, dressed up, and ready to party.

Figure 1.



(Photo from Florida Weekly, Key West edition, *MEETING of the MINDS PARROTHEADS' PHLOCK 'TO PARADISE*, November 01, 2018)

Attend a Buffett concert today and the audience is an eclectic mix of ages and occupations. In fact, the audience is a large part of the enjoyment of the show. Look at the photo above. Not a designer suit in sight and the only sharks are the inflatable kind.

From tailgating in the parking lot before the concert to wearing those Margaritaville inspired (and purchased) outfits, everyone is there to forget about things for a while and just have fun. More than half of his fans are female. Beach balls and those inflated sharks are tossed around during the show during appropriate songs.

“But Now Times Are Rough and I’ve Got Too Much Stuff”

The Parrot Head phenomenon became the inspiration for merchandising opportunities. If people will sing along and dance to it, they very well will buy it. The first t-shirts, incorporating song lyrics, were licensed to Caribbean Soul, a T-shirt marketing company, in 1984. They incorporated a key design element. Here’s what they did: Reasoning that you couldn’t have a specific person, male or female, be the focal point of the design, drinking a

beer, for example, or partying with friends, they needed to come up with an image that could be generic, as well as applicable to the brand. And so, they designed... a parrot! And the phenomenon was born.

Also, in 1984, the first Margaritaville store opened in Gulf Shores, Alabama. In 1987, the store moved across the Gulf to Duval Street in Key West and was incorporated into the first *Margaritaville Café*. The menu featured, of course, “Cheeseburgers in Paradise”, after the popular Buffett tune. Line extensions soon followed, including hats, swimwear, concert accessories, etc. And they continued to open more restaurants, with currently more than 30 locations worldwide.

There is now Radio Margaritaville, available online and through Sirius XM. It plays Buffett and related music 24 hours a day, and broadcasts concerts live. You can tune into it in your home or in your car and no matter how bad the day’s been going, be transported instantly to Margaritaville.

By the early 1990’s, Margaritaville Enterprises was becoming an all-inclusive manufacturing and marketing company, and everything they produced and distributed was done so under the Margaritaville brand. From there, and up to the present, the merchandise moved into all lifestyle directions, reflecting the female majority of fans, including (but definitely not limited to) Apparel, Footwear, Home Decor, Pool Accessories, Furniture, Serve ware, Mixers and Blenders, Food products, Tequila, Rum, Beer, Books, and the ultimate Parrothead purchase, a retirement home.

“I’m Growing Older but Not Up”

The retirement home concept was all about knowing demographics and psychographics of a business’s target market. If you are a true Parrothead, who wears your tropical attire in your time off, worked your entire life, and is now approaching later middle age, what is your ultimate dream?

Ask any Parrothead and the dream is to retire to Margaritaville once and for all. And so, Margaritaville joined forces with Minto Communities to develop Latitudes communities. Minto is a well-known developer of 55+ communities throughout the south and southeast. The logic of reaching out to Buffett’s lifestyle fan base is impeccable. Buffett’s music, concerts, and products were all about letting go of a stress filled world, at least for a while, and taking some time to relax and enjoy life. Now, Buffett fans can have the chance to actually live that lifestyle. The first community opened in Florida, and was quickly sold out. However, they continued to develop in Florida, South Carolina and more are being planned.

The decor of the homes and the ambiance of the common areas reflected the whole beach-y fun of Margaritaville. But how do you reach a large target market, especially with so many 55+ communities competing for their attention and their dollars? You go back to Buffett’s understanding of the target market and their desire to escape. This desire for escape captures the same impulses that drove the success of a major TV genre, game shows. A brief side trip into the world and popularity of game shows will illuminate why this choice made so much sense.

“My Whole World Lies Waiting Behind Door Number 3”

Game shows have been a staple of American media entertainment since their onset on the radio in 1938. They transitioned seamlessly to TV in the 1940's and 1950's. Viewers loved the fun and excitement of the competition. The contestants were likeable, attractive, and in the minds of the viewers, just like us. Hosts are an integral part of the show, often forming a bond with the audience. People watch shows as much for the host(s) as for the contestants and the game itself.

Now game shows are among the most popular shows on the networks and in syndication. Important aspects of this from the point of view of the networks and producers are that they are relatively inexpensive to air. All the action happens on one set, the contestants get paid only what they win, many prizes are subsidized by advertisers, and the on-air cast of the show is, at most, two people.

There are two main reasons people love quiz shows. The first is the ordinariness of the contestants, which makes them relatable to the viewers. We see what could be our neighbors there with a chance to win a lot of money and prizes and we root for them as if we knew them personally. In a way, we do know them.

The second reason is that in a world of job stress, troubles around the world, non-stop news reporting (unrelenting bad news at that), quiz shows give us an opportunity to escape. They're fun, lighthearted, and very easy to digest, much like Buffett's music.

“I Have Found Me a Home”

Wheel of Fortune is a syndicated game show that is going into its 37th season. The hosts, Pat Sajak and Vanna White, have been on the show since its evening time slot began in 1983. The object of the game is to guess letters or buy vowels until the contestant can solve the word puzzle. (It's a TV version of the old pencil and paper “Hangman” spelling game.)

It is extremely successful, ranking at or near the top of syndicated game show revenues. *Wheel of Fortune* currently has an audience of approximately 7.8 million viewers per day (“The Nielsen Company,” 2021). This makes it among the top most popular shows on network and syndicated TV.

While the show is very popular across a wide range of age groups, its predominant demographic remains adults, age 55 and over, and the majority of the viewership is women (Roe et al., 1996).

This demographic is a category most TV shows tend to ignore, preferring the 25 - 45 age cohort. But if you're a performer whose demographic has been with you and growing since 1973, this is precisely your market.

And so, during the 2018-2019 TV season, repeated again in the summer of 2019, with a new week initiated in October 2019, Margaritaville was the sole prize provider on the five weekday shows. Winners enjoyed vacations in various Margaritaville resorts. The grand prize

sponsor was the 55+ adult communities called Latitudes. Latitudes represented a joint offering with ME and Minto Communities. As of this writing, there are three communities in Florida and one more in South Carolina. More are in the planning stages.

Featured during the first run of these shows was sweepstakes open to all viewers of the show who were members of the “Wheel of Fortune Club” (and anybody could sign up for free). The sweepstakes offered the chance to win a house, as shown in Figure 2.

Figure 2.



Latitudes Margaritaville Sweepstakes Grand Prize

That’s right, a house. The economics of it makes sense. The Latitudes homes sell for a base price of \$250,000 and go up from there depending on the upgrades the purchasers want. But the actual cost of building one of these homes is about 20-25% of the retail value. So, the donated cost would be about \$60,000, which is close to what an ad would cost that generates this much interest and attention. Compare this to the cost of a 30 second ad on the military police procedural show *NCIS* on CBS, which has very similar demographics. The *NCIS* ad’s cost is \$135, 960 (Poggi, 2018). The popularity of this was such that there was another house giveaway during *Wheel of Fortune* in October 2019. Who gives away one house let alone two?

“I Used to Rule My World from A Pay Phone”

The success of any enterprise depends on its basic idea, the vision to make it happen, and an organization in place to control it and direct its future. In fact, an idea is only as good as its organization. And as counterintuitive as it may sound, Jimmy Buffett is a very organized, detail-oriented entrepreneur with, as he put it, a middle-class work ethic.

It began back as a solo act, when it's your responsibility to develop and follow up on all the details of a performance or a tour. There is a myriad of details that have to be attended to. Miss any one of them and you run the risk of ruining the performance. There is a great story, possibly apocryphal, of a band member coming to Buffett's room after a late performance. When he opened the door to him, Buffett asked his bandmate not to tell anyone about what he was about to see. Wondering what could possibly be in that room, what he saw was tables and desks covered with checkbooks, accounting ledgers, and all the things you need to track how your business is doing and what you need to keep everyone paid and the business afloat.

Buffett said that he was told by Warren Buffett (despite much speculation, they are not related) that the most important thing for a growing business is to have a solid management staff in place. The Margaritaville Enterprises has several divisions and is piloted by strong and professional management, financial, and marketing teams. The business may be located in Florida, but it is not being run from a sailboat. This team makes most of the day-to-day decisions with Buffett setting the overall strategy and being, of course, the face of the business.

“With a Little Love and Luck”

John Cohan, a business associate for many years, was asked about the growth and continued success of Margaritaville and how it has to do with Jimmy Buffett, “Who he is and what he stands for. There is no Tommy Bahama (behind the clothing and accessories lines. “Tommy Bahama” is a fictional character that represents the style). There really is a person behind this whole idea of Margaritaville” (White, 2017).

The reality is Jimmy Buffett's persona is the brand. To Parrotheads the concepts of Jimmy Buffett and Margaritaville are indistinguishable. But he is entering his mid 70's. While there are still tours throughout the year the tours are not as frequent as they used to be. How much longer can he reasonably be expected to perform, and will the number of live shows remain the same or decline further? What does the future hold? The ultimate question is, how will the Margaritaville experience continue if Buffett is no longer front and center in it?

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