

Georgia's Business Episode 432
Enterprising Entrepreneurs Edition
Guest: Andy Levine
CEO and Founder, Sixthman

Richard: Welcome, I'm Richard Warner. This week on Georgia's Business, another in our special series spotlighting Enterprising Entrepreneurs, that is successful Georgia businesswomen and businessmen who are out there making it on their own way. We're in studio this week before a live audience including notables from Georgia's business community who are joining us to watch an interview with our guest this week who developed a truly unique business. The concept: book an entire cruise ship, hire a top tier act like John Mayer, Lynyrd Skynyrd, Emmylou Harris, and sell it out to fans of the performer. The business is called Sixthman. Please welcome the CEO and founder Andy Levine.

Andy: Thank you.

Richard: Good to have you here. Cruise ships are going through tough times right now. How's business?

Andy: Well, cruise ships are a commodity. Cruise lines are a commodity so they will always sell full. You'll always here that but they'll just raise and lower the price.

Richard: Like the airline.

Andy: Very similar.

Richard: But you're not a commodity by design.

Andy: We try not to be. That's the point. But we're an experience. But no, you're right, it's a challenge that we have to kind of separate ourselves and put ourselves into our own category so we're not considered travel or music or you know anything in particular.

Richard: Well, let's find out. Now Sixthman is the name of the company, let's find out what Sixthman is all about.

(Sixthman video)

Andy: Sixthman is the company that brings communities together,

Woman #1: This is my sixth rock boat.

Man #1: My first.

Andy: identifying peoples' passions,

Man #2: Kind of looking forward to seeing Stephen Kellogg.

Woman #2: Zac Brown.

Woman #3: Cowboy Mouth. Their our number one band.

Andy: and inviting them on vacation with other people that share their same passions.

Woman #4: Alright, last year was my first Rock Boat and it was the best 5 days of my life. And I'm here to top that.

Andy: We approach it from an experience side. We consider our self to be tearing down the walls that are the normal barriers between a community and the things they're passionate about. If it's music, it's tearing down the walls between them and normal things that get them closer to the art. We really trying to petition our self as the company who's going to take any community that's passionate online; interact with each other, discovered each other, and now they want to connect. And they want to get in the same place. And so we absolutely feel like that will be the evolution of what's happening on Facebook or what's happening in any social networks.

Barbara, marketing: I work in marketing and I do a lot of guest marketing. Like I do a lot of work online with message boards and online communities like Facebook and Twitter; that kind of stuff. And just kind of keep my thumb on the pulse of what's going on in our guests' world. You know you get people that are in a Facebook group; they're a lot different than people who are on our message boards constantly who are a lot different than the people who depend on things like Twitter to get updates and people who don't even know if they're on an email list. And so maybe sometimes they get an email and sometimes they don't and then they're like, oh there's more information- you know those are people that are going to go to these online outlets.

Michael, assistant to Andy: Everything we do here revolves around the cruises and getting ready for them. I personally love music; I love to travel. My major is in marketing and everything about Sixthman just describes what I love.

Andy: The thing that we're doing the most of is we're building systems to allow us to listen to our customers. This business is built on listening to what customers want and then figuring out if you can give it to them. I'm not here to sell cruises. I mean, I don't think that's my calling, to sell cruises. I love the challenge of learning to become a leader and bring people together. Identify their strengths, put them in the best position to succeed, and I think in the end, for me, that'll be the thing I'm most proud of. Cause people that take pride in coming up with the idea, and there's people that take pride in making it come to life. And I think finding that balance is something that's going to help us give every cruise something a little different, serve every community a little different, and then you know, give us a chance to really take advantage of these opportunities. Cause they're coming; I think we've just scratched the surface.

(back to interview)

Richard: What was the a-ha moment? Where did it come from?

Andy: You know we asked the band Sister Hazel that we managed in 2001...

Richard: You were the manager of the band?

Andy: I was the manager. I was the manager of Sister Hazel. And we had a great relationship with our fans, our street team, and in 2001 they demanded a convention. So we reserved 400 spots on a cruise ship. It was a total- thought I was going to get fired. I was really convinced they were going to fire me for making them do this because they didn't get paid and they were worried about being trapped on a ship with their fans. I was like, you know what, the music business isn't impressing me much anyways, so if I get fired then this is the way it should go. So we convinced the band to get on the ship with 400 fans and we had a blast. And we stopped in Key West the next day and I remember calling back to the office the people that were scared to go 'cause they didn't want to be a part of the thing that got us fired from our biggest client, and I said this is it. You know this is the essence of the music business. We're here in the middle of the ocean with just the bands and their fans and no traditional music industry drama that was you know starting to unfold.

Richard: Well, the record companies were just imploding at that point.

Andy: It is just, everyone was confused. You know and people were like, their people are giving my songs away for free. And I'm like well if a million people want your song for free, if you can't figure out a way to go make money off of that, then you have bigger problems you know. So I was like, quit, you know, fight the things that you can fight. That was the moment for me. This is the essence. It involves bringing people together. It was built around the part of the industry that I liked the most: working with the artists and their fans. And I was like, let's see if we can make a business.

Richard: Did you make any money off of that first cruise?

Andy: Oh no. Those are one of the ones you don't even do the accounting on. You just say it went great.

Richard: You come back. They obviously had a good time. One of the logical questions I would have is do bands really want to be that close to their fans?

Andy: On paper they don't want to be that close. They don't say that. But I will tell you that we sit here today, 17 full music ship charters later and just 8 years, and 100% of the artists that have ever sailed on one of our ships have asked to come back. And so what we're finding is that at first they're resistant at being locked away, but when they get there and discover it's the people that care about them the most, the fans, they're more likely to respect them in their time and they probably already have the autograph, number one. And then they also get a rare opportunity to spend 4 days on a ship with their peers, other artists. And they get to write songs and play and they never get to do that in real life. They're always passing each other in the middle of the night on buses.

Richard: I read the numbers that John Mayer usually gets \$1.5 million for a show or a series of shows. He did it for a third of the money to participate in yours. It obviously worked because he's done it more than once.

Andy: Yeah, I mean we don't play on the money. If the artist wants to do it for the money reason, we say we're not the company for you because you're never going to make more money in four days with us than you will four days doing what you normally do. So, if the artists wants to do it for the right reason, then that's a good way for us to tell if they're doing it for the right reason. And John was a great one. He said it's not your job to sell it out, it's my job to sell it out. It's your job to produce it and look after my most precious asset, my fans. You know make sure I deliver them in good hands. And he took no guarantee; he only took a percentage of profits and so for me that was a no brainer. When we start seeing artists do that and then year 2 we just got off the ship with him, I couldn't get him to go to bed. The guy was up all night in the DJ disco. He told me, "Andy that was one of the most fun nights I've had in my life." And all he was doing was djaying for everybody. It had nothing to do with playing guitar.

Richard: Well the story goes that just like the movie *Anchorman*; he was standing by the diving board in the pool and cannonball. And it's John Mayer doing this.

Andy: I was just really blown way. It's just what you hope happens you know. When you invite people to come to this thing you want them to see things that they just can't, won't see anywhere else.

Richard: So we have Andy at critical mass, let's go to Andy pre-critical mass. You have done this initial cruise; didn't make any money. Obviously somewhere along the line there had to be a conduit that got a major artist to commit far enough in advance that you could make a business out of it.

Andy: Well the first event we did the year with Sister Hazel, we created an annual festival out of that. We called it the Rock Boat. We went back and we wanted to get an entire ship and so if you have the entire ship, you can control the program. So instead of the first year where we had our show at noon at Sunday because they didn't want to interfere with BINGO, we could have the ship and schedule the shows when we wanted them. And so we knew the only way to do that was to get enough fans. So I called 4 or 5 other artists...

Richard: To get enough money. Cruise ships got to be what, a million bucks?

Andy: Yeah the first one was \$750,000 for 4 days, just to rent it for the things that come with it. So I called four other bands. I knew Tonic, and Cowboy Mouth and Pat McGee. All bands that we kind of toured with that had 400 fans like Sister Hazel and said if we all get our 400 fans we can have the time of our lives. Are you in if we get the ship? And they said yeah, if you get the ship, if you pull this off, we're in.

Richard: Carnival Cruise meantime says, you're a nice guy, but we want to be paid up front.

Andy: Absolutely. They get these calls all the time. I think they get like 10 calls a day, hey I got an idea. I want to charter a whole ship. And when people start to understand okay we'll take a million dollars up front for the ship and then good luck selling it, I think that's when people are like, whoa maybe I need to rethink this. But for us, we wanted to see if the demand was there but Carnival said we need the money upfront.

Richard: You raised a hundred grand?

Andy: I put a website up and we got a thousand people to give us a \$99 deposit and I took that information around town to anyone I could meet. And I ran upon two local businessmen that believed in it and for half of the profits of that cruise, they gave us the money.

Richard: They loaned you \$750,000?

Andy: They wired it to our account. I watched it for two days. I watched the interest. I had never seen- they made like a hundred and forty dollars in one day and I was like, oh my gosh how long can we keep this money? We can give it back for a week and make more than year in interest than we did in our whole business. So I was like maybe we should just make a practice with just borrowing the money for a week.

Richard: The rich get richer.

Andy: But yeah, that's kind of how it went.

Richard: And I'm curious if this was just a straight up growth curve or if there was ever that moment of truth when you were faced with imminent collapse or if you're smart, you pulled it out?

Andy: Oh man, how long is this show? I can tell you. I will say so we did it the next year. You know, so a million dollar enterprise to make I think \$40,000. Anyone with any financial sense was like that's not the kind of return you should be looking for on something that risky. And we were like, what, \$40,000, that's a ton of money!

Richard: My car!

Andy: But you shouldn't have to go through all of that. So we did it and it was a great event. We believed in it. And the next year when we made about the same amount that next year, but it was a great event, and that's when we had that meeting. We were like, on paper we should probably stop doing this. And I'm just so glad that myself and a couple of other people said no, we have to figure out a way to make this. And so after doing that we did it the very next year and it sold out in advance, we made good money. We put the next one on sale and it sold out within 20 days. You know a year in advance we were sold out. And so that was the first step and just as we were building our momentum, 2005 we were sold out; we were sailing out of New Orleans in September; Katrina hit in August and Carnival called and said we've chartered your ship to FEMA and you're not going to be able to do your cruise.

Richard: And they're not very party going people.

Andy: No and I was like that's it. It was Labor Day and I got the call.

Richard: What'd you do?

Andy: We had a sold out cruise. All we had to do was push the baby off, play the shows, and collect our record year profit. And so I worked with Carnival and I showed them all the things we had done, all the guests we had brought to them, and what a great partner we had been and what we planned to become, and got all the way to the top of the company. And they gave us all our money back, they recovered all of our marketing expenses, let us pay our bands 50%, which was unheard of to do that, and they allowed us to recover our profit. And they wired the money within a few days so within a week we had written checks to all our guests. And then we took the bands that we off that weekend and we said come to Atlanta, we're going to raise money. And we raised \$55,000 for the Katrina relief.

Richard: Phenomenal. That wasn't even the story I was looking for. That's probably a better story but the one that is intriguing to me was the one about the investor.

Andy: Okay, so we work with these investors year over year. We were borrowing money. We were paying 15-20% interest and we'd have the money for 7 months while we put the deposits down and collected the money from the guests. And then after a few years these guys came on the cruise. They hadn't come until that point, and they came on one of the cruises. My mistake. And they were like, wow, what a business!

Richard: This is fun!

Andy: They were like we're really helping you grow this business, and I know you're paying us a healthy interest rate but we feel like we'd deserve some equity. I'm like, what do you have in mind? They said 50% and I said I don't know if I think so. I'm really up against the wall. I had 10 days I think to come up with that year's deposit. So in the course of conversations with some of my customers I was having that week- you know they call after the cruise. How'd it go? What are you doing next year? What are your challenges? I was sharing with them my dilemma and I had one guy say I just got my sales bonus of 50 grand. I'd be happy; I believe in this thing.

Richard: I'll invest my sales bonus.

Andy: And so I was like whoa, are you serious? And he said yeah. And so within 10 days I raised a half a million dollars...

Richard: From fans?

Andy: From customers and guests. Guests I didn't know before we started the cruises.

Richard: It's like *It's a Wonderful Life*, you know?

Andy: It really is.

Richard: It really is the same thing.

Andy: That's right. I love that movie. I'm glad you brought that up. Maybe there's a reason why I love that movie. We just had our retreat, and that's the one thing I was telling our staff...

Richard: Yeah we got to get into culture because you got 25 people. You're in a business that really is catering towards leisure time. So there has to be a culture that matches that. As soon as you get into the real company syndrome where you have managers, memos, and double secret probation, you've got trouble.

Andy: Right.

Richard: How do you maintain the culture, that small company culture? How does it grow?

Andy: You know it's a big thing. We've gone from 4 people to 25 in just a few years. And then we have the people that have been there you know earliest, who were really scared and "I'm not sure if this is the place for me." I've reached out to people. I've read lots of books. I've been trying to ask lots of questions and the two things that seemed the most important were, we make sure we take opportunities to unplug and go be together and talk about what our challenges are and just connect with each other interpersonally.

Richard: Off campus?

Andy: Off campus. That's huge. That's how we are able to feel like a small company.

Richard: In this case, it was Augusta. How'd that go?

Andy: Well, it was great. We decided to go camping. We didn't have enough beds in the place where we were staying so some people brought tents and so I decided to go camping. I'm going to show them what a leader; I'm going to go camping with these guys. And we had everything covered except we forgot about the sprinklers that would come on at 4 in the morning. So we're in a tent and all of a sudden at 4 in the morning, the sprinklers come shooting in my tent. I'm like, I can't give up. I got to stay. I got to stay.

Richard: Only a small company. GE is not going to have a campout.

Andy: Yeah, so that was one thing. Just feeling connected and staying small that way. And the other thing was we had one of the girls in my office who was really concerned about us growing said, "I just want our place to be special." And I said what is special? So we defined as a company, we defined 7 critical moments that we have to achieve with each cruise for us to feel like...

Richard: Seven moments? They are?

Andy: Seven moments. They have to feel invited. They have to feel informed. They have to feel excited. They have to feel welcomed and they have to feel looked after, amazed, and appreciated. And so we built our entire marketing plans off of that. So as we're starting our new cycles, I go to the teams and say, alright guys, I want to see your plan to achieve special and that's what we call special.

Richard: And yet, you know 5, 10, years out. Is it 11 cruises a year, 12 cruises a year and then you max out that's okay. You don't usually find that among entrepreneurs.

Andy: Well you know 11 million people a year cruise right now. There's a hundred and twenty ships out there so it's a huge market. You know we joke about one day wanting our own ship, but I don't know if that's what we really want. Right now we've defined our growth program as to let success dictate growth. As long as we can continue to execute special. The other thing is we want to identify as many communities as we can outside of music that are super passionate, that are already getting together online, maybe offline, and create an experience for them where they come together and see what it feels like to be on a vacation with 2,000 people like themselves.

Richard: I was talking about the Photoshop cruise and however many nerds on a ship doing commands on their computer. Are you going to do Photoshop cruises?

Andy: I don't know about that one. If Ellis had said, "That's been my dream" then I would have been well let me look into that. But Ellis said that's not what I'm looking for; that's not the experience. We're going to have to be really careful.

Richard: Well you said EA.

Andy: So right now we have partnerships with the Grand Ole Opry who wants to bring an experience to life of the new country fan base. And we're getting ready to launch 2 cruises for VH1 who want to build an experience that they can be proud of and bring a festival to life. So we're bringing 2 of those to life and we're in conversation with EA about doing kind of a gamer cruise where it would be all the people who make the games, all the people that know how to design the shortcuts, all the bands that they've broken. Now EA are breaking bands. Bands are fighting to be included in the soundtrack of these video games. And so we're working with them to see if there is an experience there. And so that's where we're at is trying to see is there something there to make sure people can really feel that connection and experience.

Richard: To what extent is this become, in terms of priority, for a band to sell product. It does boil down to that, and record stores have folded. Distribution channels have changed. Certainly marketing and promotion for them and for you is critical to whatever you succeed.

Andy: Well the bands do well on board. I think the feedback we get from the bands after they play one of our cruises is they'll say, there's 20 people from every show that we play the rest of the year that we saw on the cruise. And they show up and they bring cookies and they make us feel like at home and they're the most vocal about bringing people. You know we all have a sphere of influence of some people say 30 people that we can influence to try something. And so

we're finding these 20 people from each city that are showing up on the cruise to be very powerful as far as spreading the word about bands. We have a band called Zac Brown that we started having on our cruises 4 or 5 years ago, and he's just had a number 1 single this year, he's sold over a million albums already, and he's off to a great career and he was just quoted in an interview in an industry magazine saying that the Rock Boat was where he got his initial fan base, and that's huge flattery for us.

Richard: You got John Mayer going. You got John Hyatt quoted as saying, "It was nice having normal conversations with my fans." Clearly a business model that has legs like this is going to attract competition. How do you stand a part from the others in the space?

Andy: Well, we put a lot of pressure on ourselves. We feel like we have a gap right now and we've got to continue to push ourselves.

Richard: You got a gap?

Andy: Well, we feel like we've got a gap over the people that aren't in the business yet. It just makes me feel better about it. There's no relative zero there that we have a gap over our competition because there really isn't any right now. But, we feel like they're coming and we've learned from a lot of mistakes that we've made. We hope that anyone coming in is going to have to figure that out. And we're also seeing that the Grand Ole Opry has been wanting to do a cruise forever. And I think that when they started asking questions and they go to the cruise lines and say, hey how does this work, and they got the same response that I got 7 years ago. Hey give me \$740,000 and it's all yours, they're like whoa, maybe we need to think through this. And so the cruise lines understand you should probably call Sixthman because we hear what you're trying to do and we think you could probably do it, but they're going to help walk you through it and make sure your guests are taken care of and have an experience.

Richard: Well, it's interesting. One of the things I just got out of that are your mistakes are an asset. They are your asset.

Andy: I use to joke. People would hire us to consult them and so we've made all the mistakes and you're paying us for our mistakes pretty much.

Richard: You were telling me about one very large company that tried to enter the space and didn't stick around for very long.

Andy: There was a company, a large concert promotion company. Probably the largest that what came into the market a few years ago, they did a Dave Matthews cruise and Tim McGraw and Kenny Chesney and they just didn't like the way it ended up for them. They had a really hard time.

Richard: The artists didn't like it.

Andy: No the artist didn't cruise. The artist just showed up on an island and played a concert and that created its own challenges. They weren't able to sell. They didn't sell enough cabins to

get the profit they wanted. I think they really took a bath so we haven't from them in a while. But it really helped us understand we're not throwing a concert; we're throwing a vacation festival experience. And there's two different sets of expectations that come when you sell someone a seat at Phillips Arena versus sell them their vacation for a year. So we're trying to understand what that is and make sure we're taking care of it.

Richard: Could you ever work for somebody else?

Andy: Sure.

Richard: Yeah?

Andy: Sure.

Richard: Would you be happy?

Andy: I don't know. I feel like I work for my staff. What do you mean? I work for 25 people right now, are you kidding?

Richard: You got more bosses...

Andy: I'm there boss; I get to make decisions, like no. I never want to have to make a decision. I really don't want to have to. But you know, yeah, I'm sure. I don't know. I don't know if I'd be a good employee.

Richard: In this whole culture thing, the one question that I didn't ask that I was curious about was what happens when it doesn't work. What happens when you have an employee that's not performing. Maintaining that positive culture, how do you, Andy, manage that problem?

Andy: You know the big joke in our company is never let Andy answer the phone and talk to the guest cause he will give away the entire play. I got an email today: Andy I saw that you booked a cabin and you gave him a \$500 credit. Can you tell me what that was for? And I was like I don't know, they probably made a good argument for something. I don't know; I'm not sure. One, I made a reservation; I forgot to get the credit card and she's like, they haven't paid yet. I'm like, I swear I put the numbers in. So I wanted to be liked by all of them so I hate when there's a conflict and we have to deal with it. But in the last year I've had a guy named Jim Doggett that's worked close our company. He's come in and down a couple of tests to help people understand what their strengths are. We've embraced him. We've kind of made fun of our selves for certain strengths that we all have that are unique and when someone is not performing, I use to dread it. But now what happens, I start to look at it as you know what-

Richard: You got to deal with it.

Andy: Well, they're making everyone else's day harder. And if they're making everyone else's day harder then I have no choice, so that really helps me deal with.

Richard: Andy Levine, CEO of Sixthman. Nice show. Thanks for being with us.

Andy: Thank you.

Richard: And thanks to our audience for being here and by the way they're going to be here a little bit longer asking questions directly to Andy. And you can actually see that question and answer session on our website. Check out gpb.org/georgiasbusiness. You also be able to replay this entire episode and download a transcript of all the stuff Andy said. You can catch a replay of this show on the radio in Atlanta WCFO, 1160 AM. You can listen to us on iTunes. Just do a search on Georgia's Business. And finally you can sound off to me directly at richardwarner.com. For now thank you for watching, and for all of us at Georgia Public Broadcasting, I'm Richard Warner. And until next week, don't sell yourself short.