

# Crisis Case Analysis Report: **Fyre Festival**

APRD: 3300-001– Crisis Communications

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## **Introduction:**

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A crisis is an event that causes damage to an organization, which spawns from risks. Risks can be reputational, financial, operational, and environmental, and all must be prepared for. Sometimes, signal detection in the pre-crisis stage allows for prevention; usually, crises are unpredicted, and therefore a strategic Crisis Management Plan, or a CMP, needs to be ready.

As a group, we looked for an intriguing crisis that sparked mass controversy throughout the US. When looking into crisis cases, we wanted to make sure we were picking a case highlighting the many ways in which taking uneducated risks and practicing poor management communication can lead to the downfall of a company. The crisis we chose, Fyre Festival, exhibited many of these issues and gained much attention due to its unique and disastrous nature affecting the elite upper class.

This specific crisis can be identified as an organizational crisis. Which defined is, A crisis is the perceived violation of salient stakeholder expectations that can create negative outcomes for stakeholders and/or the organization. As we see throughout Fyre Media there are multiple different types of operational and paracrises, as will be explained throughout this report.

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## **Description of the Crisis (Story):**

We chose to analyze the company Fyre Media, particularly Fyre Festival, the promotional launch of their new app. Multi-millionaire tech entrepreneur Billy McFarland and Co-founder rapper Ja Rule created Fyre Media. This company was created as a virtual talent booking service that made booking some of the most influential singers, actors, performers, athletes, and

celebrities easy and accessible. Founded in New York and composed of 20 to 30 virtual and in-house employees, Fyre Media became one of the most talked about phenomenons in upper-class New York communities in 2016. McFarland's vision while creating the company was to bring together the most elite community and make an easier way to book and secure talent through technology. To begin this vision, McFarland knew one of the only ways to reach this exclusive community was going directly to the most elite social media advocates. To create a continuous conversation about the launch of the Fyre app, co-founders McFarland and Rule decided to host a large exclusive promotional music festival on an island in the Bahamas. They coined this festival Fyre Festival.

In hopes of creating a social buzz around this festival, McFarland launched their advertising campaign along with the Instagram hashtag #fyrefestival. Billy booked several a-list supermodels to join him and his campaign team in the Bahamas to film a promotional commercial. He encouraged and compensated the models for posting videos and photos enjoying the island and promoting the festival on their social media accounts captioned #fyrefestival. Fyre's trouble not only began when he openly advertised the private island as Pablo Esobar's previous property but also when the company recklessly spent a big percentage of its funding on the commercial paying these influencers to promote the event on their personal Instagrams. For example, the company paid Kendall Jenner \$250,000 to post one social media picture promoting the company. These attractive landscapes, mixed with the lineup of supermodels and artists, attracted people to buy tickets costing up to 12,000 dollars. In 48 hours, tickets that included: private flights from Miami, personal villas on the beach, renowned chef meals, luxury tents, personal yachts, and performances by the greatest artists of the time sold out. Six weeks before the supposed start of Fyre Festival, little to no work had been organized or completed, eventually

leading to the withdrawal of services from chefs and artists that had previously committed to the project. During these next weeks, many business issues and financial corruption began to occur, leading to the final disaster. The crisis began on April 27, 2017, when influencers and festival-goers began to arrive on the island. They were met with what some described as a “post-apocalyptic feel” featuring a lack of workers, the few tents the festival provided were hurricane shelters filled with mud and water from the storm the night before, low-quality and quantity of food, and barely any water for the over five thousand people. Some described the lack of preparation as comparable to Woodstock in the 1970s. After arrival, the festival's employees kept the guests away from the living accommodations. They began supplying them with an abundance of alcohol trying to deter them from the state of the camp. Soon after transporting them to the campsites, chaos began to erupt among the guests resulting in fighting over dry mattresses, tents, and food.

Attendees were promised a “cashless” festival and were thus left stranded in the Bahamas, unsure how to get back to Miami. On the first day of the promised festival, April 18, 2017, Fyre Media canceled the event, blaming “circumstances beyond their control.” On May 1, 2017, McFarland was served with his first lawsuit surrounding the Fyre Festival. Mark Geragos filed a \$100 million class-action lawsuit on behalf of all festival-goers on the grounds that the festival’s organizers flew customers to the site despite knowing they were “uninhabitable and unsecure.”. On May 2nd, McFarland and Ja Rule were served with their second \$100 million lawsuit, which accused both of “a breach of contract and fraud, claiming they tricked people into attending the event by paying social media influencers to post about the event without disclosing they had done so.”. These lawsuits ended up being two of many. About a year later, in March of

2018, McFarland was sentenced to six years in federal prison, followed by three years probation; he was ordered to repay \$26,191,306.28.

## **Crisis Case Analysis**

### **1. Pre-Crisis**

When looking into crisis management for an organization, many factors need to be considered; prevention, preparation, response, and revision. As seen throughout Fyre Media's crisis, we see very little to no crisis management. McFarland was trying to create a sense of presence in the business world by focusing only on his status perception in society. He hoped to create a sense of credibility for his company on a facade built on his own money and from the early stages of investors and incoming festival profits, like ticket sales. After spending most of the project's funding on the commercial and ignoring the inevitable cost expenditures required for putting on a festival of such unattainable luxury, McFarland and JaRule quickly found themselves without money to support their claims.

As April arrived, stakeholders and the media grew suspicious of Fyre and McFarland actually pulling off the festival. The Wall Street Journal reported, twenty days before the event was to kick off, that musicians and workers had yet to be paid; ticket-holders had yet to receive travel itineraries or confirmation. Warning signs appeared, but Fyre neither internally mitigated them nor communicated about mitigating them with their stakeholders or the public. Then – the day before the festival on April 27th – festival headliner Blink-182 backed out, posting a statement on Twitter citing a lack of confidence in the event “that we would have what we need to give you the quality of performances we always give fans.” (Twitter, 2017). The precrisis developed into a crisis as Fyre and McFarland remained misleading in their communication, choosing to fly the guests to the Exuma islands from Miami as planned.

## 2. Crisis Event

Guests arrived to the opposite of what the brand had promised them; immediately, outraged, stranded, and cashless festival-goers turned to social media to share the crisis they were experiencing. The public noticed the catastrophe, and soon #FyreFestival was trending again, but this time for an entirely different, negative reason. On April 28th, Fyre sent an email to ticketholders canceling the festival, as well as posting a few, shortly-worded tweets blaming “circumstances beyond our control” around noon that day. Obviously, this communication was not timely as canceling the festival once guests had traveled there was unproductive, and it was not transparent or accountable as they, in reality, are responsible for the crisis.

This crisis was not only operational, eventually shutting down the company, but was also an organizational misdeed. Coombs defines this on page 73, explaining, “When management takes actions it knows may place stakeholders at risk or knowingly violates the law. The terms organizational wrongdoing and transgressions are other labels given to organizational misdeeds (Palmer, 2012).” (2021). McFarland knowingly led festival goers and other stakeholders into this uninhabitable situation, as well as lied to musicians and his partners about being able to afford and produce the event. Throughout Fyre Media’s crisis, we see very little to no crisis management. McFarland was trying to create a sense of presence in the business world by focusing only on his status perception in society. He hoped to skate on a facade built on his own money and from the early stages of investors and incoming festival profits, like ticket sales.

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## 3. Post-Crisis

One of the biggest issues the founders Ja Rule and Billy McFarland experienced in their post-crisis stage was their lack of responsibility and transparency as well as the diminishing

posture of the brand and company itself. They lack credibility in rectifying their crisis or identifying it as a paracrisis to avoid these major crises occurring. Fyre Media officially responded to Fyre Festival with, “Due to circumstances out of our control, the physical infrastructure was not in place on time and we are unable to fulfill the vision safely and enjoyable for our guests.” (Fyre Media). After this statement was released, many Fyre employees came forward, stating that this news release was all a lie and, in fact, all of the circumstances stemmed from fabricated experiences and a lack of preparation, funding, and resources. Instead of admitting to the issues Fyre faced initially and trying to be upfront about how they had been lying to their guests, they ignored the problems and had their employees continue to lie to the media. Profiting off of influencer word of mouth and elite monetary status, McFarland and LaRule could keep up the facade of having everything under control.

After facing social media backlash from guests that attended the “festival,” Fyre Media began to implode. Employees began to speak out on the event and how the company imploded shortly after this crisis event. This led to total destruction of the company due to a lack of crisis preparation, communication, response, and accountability. There was no Crisis Communication Plan put into place, and there was no Crisis Management Team. Billy McFarland was sentenced to six years in prison in March 2018 and ordered to forfeit \$26 million. There were two lawsuits filed against him on May 1, 2017: \$100 million on behalf of all festival attendees for flying them out to the grounds and a second lawsuit on May 2, 2017: \$100 million for breach of contract and fraud for enticing ticket buyers with paid celebrity influencers but not disclosing they were paid. Other investors and victims pressed further charges (Bryne). McFarland inevitably pleaded guilty and served almost four years of a six-year sentence behind bars. Ja Rule, his financial backer, faced no charges, claiming to be another victim of McFarland’s deceit. Ultimately, the

company completely shut down and went bankrupt, with its founder, McFarland, now in jail and millions of dollars in debt.

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