

**Doug Morris and
the case for the
future of the
music business**
By Devin Leonard
Photograph
by Jason Nocito

Doug Morris grew up in the 1950s on Long Island in a family he describes as “very professional.” His father was a lawyer. His mother taught ballet. His older brother was an aspiring scientist. Doug was the exception. He wanted to be a rock ‘n’ roll songwriter. His parents spent a great deal of time fretting about his future. “Their basic question was: ‘Who is going to take care of Doug?’” Morris recalls. “How is he going to make a living?”

Morris, the 74-year-old chief executive officer of Sony Music Entertainment, tells this story with great satisfaction in his expansive office on the 32nd floor of the company’s Manhattan headquarters. He sits on a cream-colored sofa in a finely tailored dark suit with his feet up on the coffee table. He gestures to a picture of him chatting with his friend Bono. “He’s the finest,” Morris says. “He’s really genuine. That’s not bulls---.” Another photograph of Morris captures him at a party with Tupac Shakur, Snoop Dogg, and their mentor, Death Row Records co-founder Suge Knight. “I love that picture,” he says. “It’s my favorite.” He fits in perfectly with the three hip-hop kingpins.

Morris is the godfather of the music industry. He’s been a top executive at all three of the big record companies: Sony Music, Universal Music Group, and Warner Music Group, where he’s nurtured many performers. “He’s as crazy as the rest of us,” says rock diva Stevie Nicks. “He’s a real music guy.” R&B singer Mary J. Blige says, “He always had my back. He’s like a father to me.” Jay-Z has celebrated Morris in several of his verses, affectionately referring to him as one of the industry’s “bosses.” Bono is even more effusive: “He’s not just the president of Sony Music Entertainment,” says the U2 frontman. “He’s the president of the entire music industry.”

This is the music business, so people tend to gush about their peers, especially those in positions of power, but Morris’s career is unusually impressive. He start-



Morris with Mick Jagger...



...and Ahmet Ertegun and Stevie Nicks...



ed out in the days of so-called girl groups like the Chiffons. Now he’s putting out records by Sony chart-toppers such as Adele and One Direction. He enjoyed soaring profits with the compact disc in the 1980s only to struggle over the last decade as Internet piracy decimated the big record labels.

Now Morris says the profits are returning and the thrill is back. “The industry is transitioning itself into something that will be very valuable, unless we screw it up,” he says. “There’s big money coming in from videos. Huge money. There’s a transition from ownership to access personified by something like Spotify. We’re making a lot of money from this explosion in Internet radio, the Pandoras of the world. You can see Apple getting ready to get into it.” What’s more, the cost of distributing digital music is lower than CDs or vinyl albums.

“It’s a better business,” Morris says. “The margins are higher.”

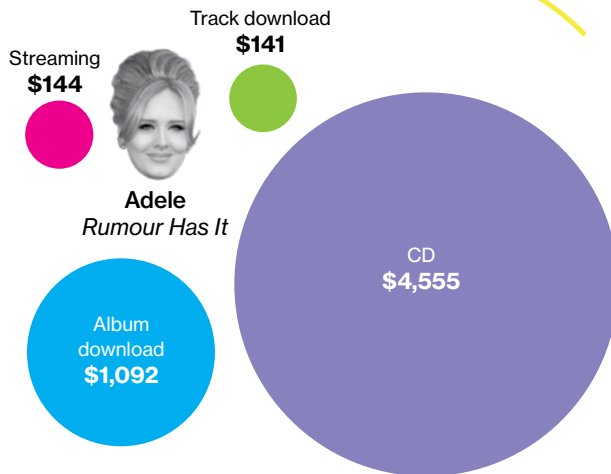
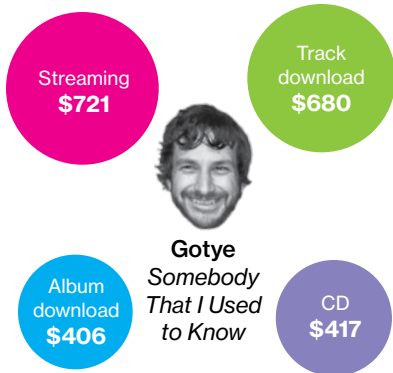
The numbers support him. Industry analyst Alice Enders expects annual music sales in the U.S. to hover at around \$5.5 billion over the next three years as declining physical sales are replaced by the digital variety. That’s a relief for an industry that was in free fall for the past decade. Moreover, Enders argues that guys like Morris are more relevant than ever. “I think the suits win out in this transition,” she says. “This is a much more complex business than people often realize. You have to find artists and keep the right ones. But you can’t waste money like you could 10 years ago. You have to control costs with an iron fist.”

Morris likes to say that the distribution of music has changed radically, but the business is still all about relationships. Morris,

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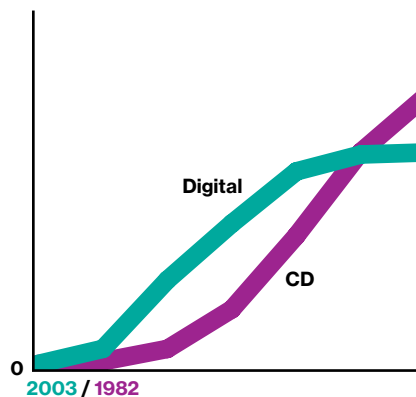
Breaking It Down

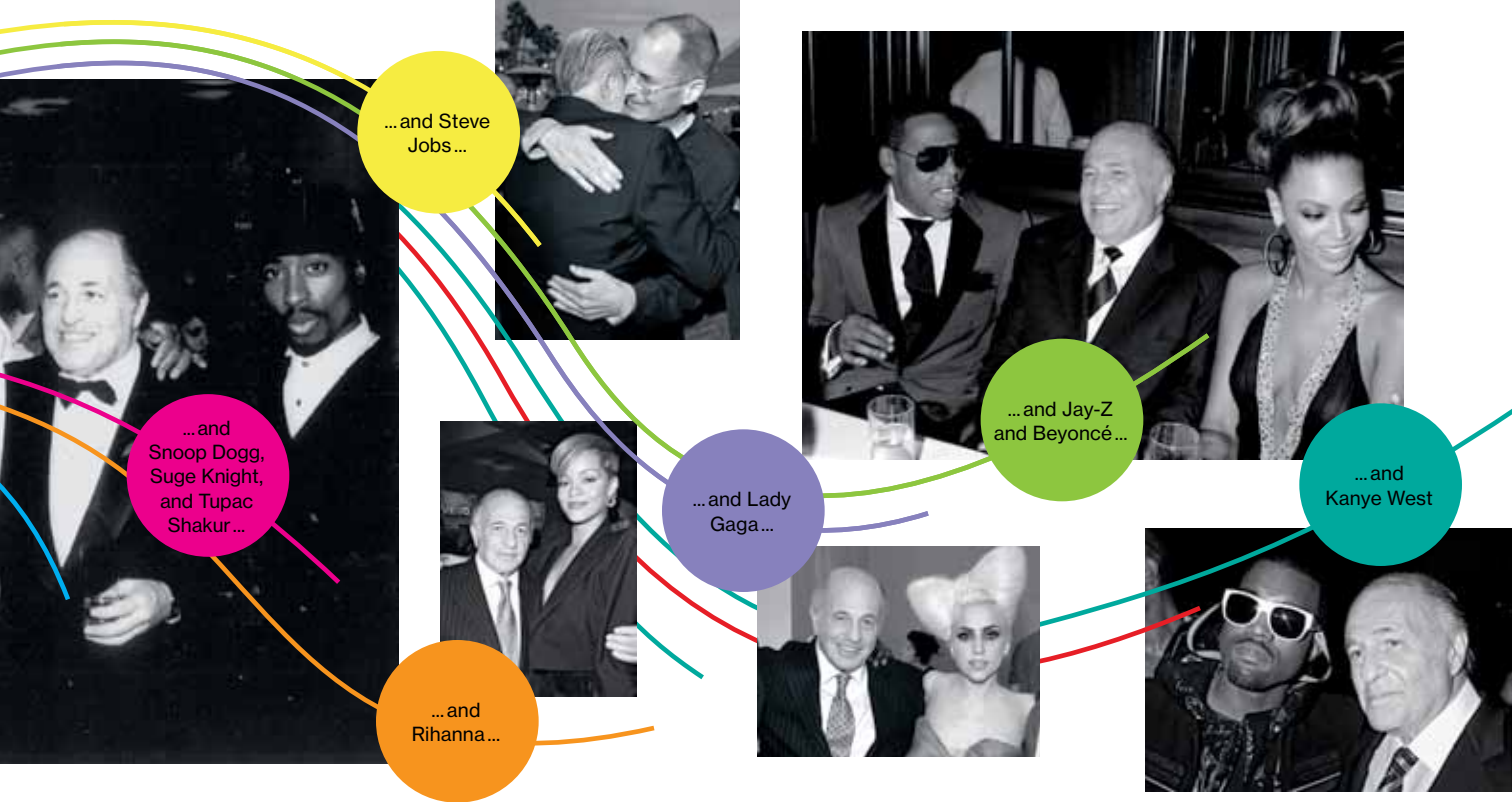
Two artists, two different revenue streams (in thousands)



Two Tracks

Growth of revenue from digital and CDs in their first eight years





says Bono, “is a character who has risen several times from the ashes like a—what’s the word I’m looking for?—like a phoenix.”

Morris didn’t set out to be a label executive. After graduating from Columbia University with an economics degree in 1960 and serving two years in the U.S. Army military police, he tried to make a living as a songwriter. He apprenticed with Bert Berns, one of the composers of the early rock anthem *Twist and Shout*. Morris went to record labels and tried to interest them in his boss’s tunes and his own. Morris was not without talent. He co-wrote the Chiffons’ 1966 hit, *Sweet Talkin’ Guy*. After a few years he decided he was a better salesman than a songwriter, and in 1970 founded his own label, Big Tree Records. At the time, Morris believed songs were more impor-

tant than artists, and Big Tree’s roster reflected his bias. *Smokin’ in the Boy’s Room* was a smash hit in 1973 when Brownsville Station recorded it. The song also overshadowed the singers when Big Tree released Hot Chocolate’s *You Sexy Thing* in 1975, another milestone for the label. Others in the trade took notice. Morris got a call in 1978 from Ahmet Ertegun, the legendary co-founder of Atlantic Records. “He wanted to buy my company, so I sold it to him,” says Morris, shrugging.

To hear Morris tell it, he learned about the importance of artists and how to handle them from Ertegun. More than anyone else, Ertegun understood that flattery was the industry’s currency. He would cozy up to the wives of the lead guitarists of bands he wanted to sign and tell them how fabulously their husbands strummed. The

guitar player would then choose Atlantic over its competitors. A week later, Ertegun would do it again with another guitarist. Morris soaked it all up.

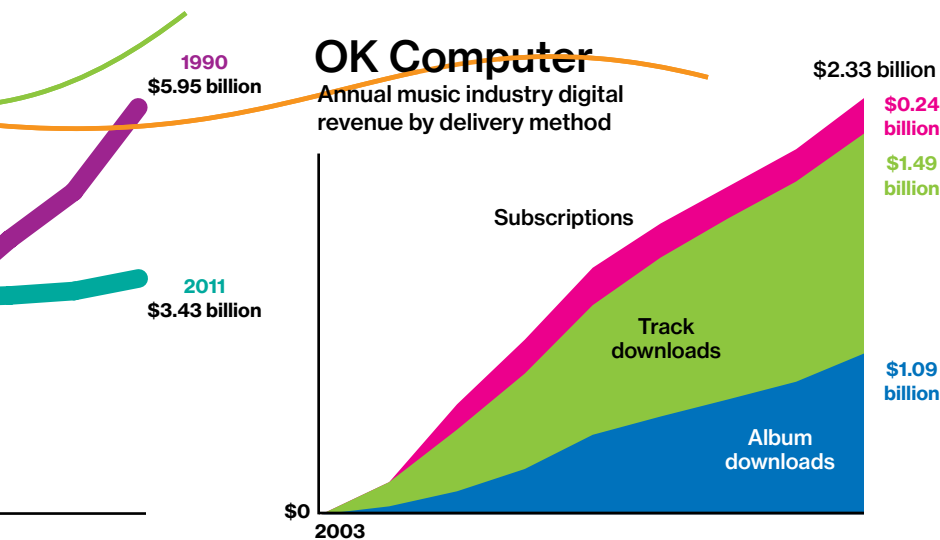
In 1980, Morris was named president of Atlantic. He applied his new skills to stars like Nicks, whom he signed as a solo artist. He called her every day as she was recording *Bella Donna*, her first record. When things didn’t go well with her producer, Morris recruited 26-year-old Jimmy Iovine, who’d worked on records with Bruce Springsteen and Tom Petty. Nicks was ecstatic when *Bella Donna* reached No. 3 on the *Billboard* charts. “In numerology, three is the number of the creative, of the beginning, the child,” she says. It wasn’t enough for Morris, though. He took Nicks, possibly the most alluring woman in rock ’n’ roll at the time, out to dinner with a writer from *Billboard*. One week later, her album went to No. 1.

When Atlantic started to fade in the late ’80s, Morris became Ertegun’s co-CEO. One of the things he did to rejuvenate the label was create a joint venture with Iovine called Interscope Records, which specialized in edgy acts. “We had Tupac, Snoop Dogg, Dr. Dre, Nine Inch Nails, and Marilyn Manson,” Iovine laughs. “What can I say, right?”

Morris got a kick out of Interscope’s controversial artists, although he had misgivings about some of the rough characters from the rap universe who started showing up at industry functions. One night at a party, Morris asked the rapper Heavy D, “Listen, any chance of me getting shot at this thing?” “Doug, they never shoot the white guy,” Heavy D said.

By then, Atlantic was owned by Time Warner, the global media giant. ➔

DATA: RIAA, NIELSEN BDS, NIELSEN SOUNDSCAN, DON PASSMAN, MICHAEL ROBERTSON



Charting the Hits

Rhapsody charts a song's popularity as a percentage of the times it's been streamed vs. the No.1 track. Here, the most popular tracks of 2012 are sorted by genre. Each square represents one song. Each color represents a different genre.



The year's most streamed song was **Somebody That I Used to Know** by Gotye featuring Kimbra. shown here in the central box. It dominated in multiple genres, including Alternative (#1), Rock (#4), Adult Contemporary (#6), Dance/Club (#6), and Pop (#8)



#1 Adult Contemporary song
#11 Pop song
#35 Dance/Club song
Kelly Clarkson, Stronger (What Doesn't Kill You)
9%



#1 Dance/Club song
Zedd featuring Matthew Koma, Spectrum
6%



#1 Pop song
#45 Adult Contemporary song
Ellie Goulding, Lights
45%



#1 Christian song
Building 429, Where I Belong
<1%



#1 Rock song
#7 Alternative song
The Black Keys, Lonely Boy
15%



#1 Latin song
#1 Regional Mexican song
La Arrolladora Banda el Limón de René Camacho, Llamada De Mi Ex
2%



#1 Rap song
#4 R&B/Hip-Hop song
Drake featuring Lil Wayne, The Motto
36%



#1 Gospel song
Andraé Crouch featuring Marvin Winans, Let the Church Say Amen
2%

The top 50 Gospel and Christian singles had no overlap with any other chart



#1 R&B/Hip-Hop song
Beyoncé, Love on Top
20%

60% of songs charting in both Pop and Rap were by Flo Rida



#1 Tropical song
#15 Latin song
Prince Royce, Incondicional
6%



#1 Country song
Josh Turner, Time Is Love
7%

No songs on the Country chart appeared on any other chart, but four artists had songs on both the Country and Adult Contemporary charts



In 1994, Morris was named CEO of the Warner Music Group's U.S. division, overseeing the company's record labels, which included Warner Bros. and Elektra. His time at the top was fleeting. African American leaders and conservative activists attacked Time Warner for putting out rap albums that glorified violence and denigrated women. There was a management shake-up in the music division in 1995, and Morris was out.

Within days of his firing, Morris was rescued by Seagram CEO Edgar Bronfman Jr., who put him in charge of Universal's moribund music division. At Morris's urging, Seagram bought Time Warner's interest in Interscope in 1996. Two months after the deal closed, Interscope had the top four albums in the U.S.

It wasn't long before Morris was defending himself against charges that he was out of touch with the new forces shaping his industry. He was blindsided by the rise of Napster, the free file-sharing site. Universal took part in the successful legal battle to shut it down, but the problem was the Web, not one site. People in the technology industry and the music press made fun of Morris for talking about hits when the Internet was upending his company. As far as his critics were concerned, Morris was an old-school entertainment industry technophobe.

Morris is still pained by the criticism. "We are not in the technology business," he says. "We're in the music business. Let me tell you something. We had people who thought they knew a lot about technology. We spent tens of millions of dollars building Blue Matter [a download format]. None of these things ever worked because they didn't know what they were doing."

That said, Morris was shrewd enough to forge relationships in Silicon Valley. He helped Steve Jobs launch the iTunes Music Store in 2003, and they became close friends. When Jobs visited New York, he and Morris would go downtown and "eat noodles." Morris has great affection for Jobs, but the two men were always negotiating, so Morris sometimes wasn't certain Jobs felt the same way about him. "I would wonder, Are we friends or is he just trying to roll me?"

Bono watched the two men interact over the years. He says Morris sometimes infuriated Jobs by telling him the iPod was worthless without his company's songs. "He would say, 'It's a nice design. I understand, but it has no intrinsic value without the art, the music, Steve,'" Bono recounts, doing a perfect imitation of Morris's distinctive New York accent. "Steve didn't enjoy that very much. But it was funny."

Morris struck up a similarly fruitful rapport with Eric Schmidt, then CEO of Google. In 2009, Morris and Schmidt completed a deal to create Vevo, a company owned by Universal, Sony, and other investors that

About his relationship with Steve Jobs, Morris says, "I would wonder, Are we friends or is he just trying to roll me?"

distributes music videos to YouTube and receives a percentage of the ad revenue they generate. Vevo's revenue was estimated to be \$280 million last year. "It was a great moment for me," Morris says.

As Morris approached 70, Vivendi, Universal's parent company, asked him to step aside and let his deputy, Lucian Grainge, become CEO. "The French wanted me to retire," Morris says. "I didn't want to. So they retired me. Lucian took over. I became chairman. Suddenly, no one talked to me."

Morris may have felt cut off at Universal, but others were eager to consult with him. In 2010, Howard Stringer, then Sony's CEO, visited Morris at his apartment in the Plaza Hotel near Central Park and asked him if he would take over the Japanese company's ailing music division. Its previous boss, a former television executive, was retiring. Stringer thought it was time to put a real music guy like Morris in charge. "His ability to connect with performers as well as the younger executives is second to none," Stringer says. "That appealed to me."

Morris liked the idea, too. When the word got out that he and Stringer were negotiating, however, Morris got a call from Jobs. "Are you a f---ing moron?" Jobs asked.

"How could you say something like that?" Morris asked.

"Because you are going to do the same thing three times over," Jobs said. "You are going to be the CEO of one of these big stupid companies."

"Well, I guess that's what I do, Steve," Morris said.

"Yeah, well, do it for me," Jobs persisted. "Come here, and let's start a digital music company. These old things will break up, and we'll buy them for a song."

By then, as Morris knew, Jobs had cancer. Six months later, he passed away. So Morris took the job at Sony. Although Morris denies it, the speculation in the music world is that he would like nothing better than to get even with Universal. "He wants to prove that he was retired prematurely," says Bob Lefsetz, author of the Lefsetz Letter, a widely read online report on the music business. "That's not a terrible motivation. A lot of people are very successful as a result of revenge."

Catching Universal won't be easy. Although Universal's market share of albums in the U.S. only edged Sony's by 2 percent in 2012, according to Nielsen SoundScan, the European Union recently approved Universal's \$1.9 billion acquisition of EMI's recorded music division. As a result, industry analyst Enders estimates that Universal will jump from 32 percent to 40 percent of the U.S. market. "That's a gap that would be impossible for Sony to close through organic growth," she says.

Morris disagrees. He's focused on developing new revenue streams. Terrestrial radio stations don't pay record companies to play their songs, but Morris says that will change as those stations increase their presence online, where copyright laws favor the labels. He's also hoping to make money from music videos. Vevo spent much of last year negotiating a new agreement with Google. There was talk that Vevo might move to Facebook or Yahoo! if Google didn't come to terms. However, in December, people familiar with the talks say, Google took a minority stake in the company, valuing it at \$650 million. There's speculation that Google will eventually purchase Vevo outright. "Google would love to get that back," chuckles Morris. "I don't blame them." He declines to comment further.

And, of course, he's looking to churn out hits. One of his strategies on this front is to lure promising young producers to Sony. Soon after his arrival in 2011, he hired Lukasz Gottwald, better known as Dr. Luke, who's responsible for 22 No. 1 singles, including *Tik Tok* by Ke\$ha, *My Life Would Suck Without You* by Kelly Clarkson, and *I Kissed a Girl* by Katy Perry. Says Morris of Gottwald: "He's an amazing writer-producer. He's brilliant. I felt about him like I felt about Jimmy Iovine when I first met him 30 years ago."

This is still what gets Morris most excited—talking about the music. "I get into trouble because I'll say that nothing has changed in the whole industry since I started. What hasn't changed is you need a hit. What has changed? We distribute music differently, and we sell music differently. Big deal." **B**

—With Andy Fixmer