



# MERCK MERCURIADIS THE DISRUPTOR

Perhaps no figure on the contemporary music landscape has earned the designation "disruptor" more assiduously than **Hipgnosis** founder/chief **Merck Mercuriadis**. Touting a thoughtful thesis about how streaming's impact could radically escalate the value of songs and convert them into a recession-proof asset class, he proceeded to assemble the financial resources to transform not just the publishing world but the economic calculus of the entire biz. The outspoken Canadian, now based in London, arrived at this lofty perch after years of managerial toil and entrepreneurial hills and valleys, and though he has of necessity immersed himself in the vagaries of finance, copyright and the legislative processes of multiple countries, he is and has always been a hard-core music fan first and foremost.

INTERVIEW BY SIMON GLICKMAN



*Merck with Nile Rodgers and Bengi Unsal, Rhodri Jones and Phoebe Gardiner of London's Southbank Centre*

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**How are you faring amid the uncertainty of the pandemic?**

During this period, we’ve invested almost \$1.5 billion in great songs, as well as establishing our new relationship with Blackstone, who are the gold standard of investors. So the newly named **Hipgnosis Song Management** has the best of both worlds—private and public—and the firepower and leverage of Blackstone and our investors to not only buy great songs and manage them better but to change where the songwriter sits in the economic equation. A lot of work has gone into the songwriters guild we are establishing, which will launch in 2022 and ensure that no discussion ever takes place that affects how a songwriter is paid without representatives of the community at the table.

It’s incredibly rewarding to see how great songs and music have comforted the world, and that—along with being in a fortunate enough position to give back as well as look after our people and deliver for our investors in difficult times—really demonstrates the true value of great songs and music. It’s important in this pandemic to mention the **Black Lives Matter** movement, which is important to Hipgnosis. I believe every great company must reflect the interests of the people it makes money with. Black music has always made the world go round, and a huge proportion of the songwriters who have entrusted us with their great songs are people of color. We are fighting on their behalf. This is a responsibility that every human being has, and it will take the rest of our lives to put these problems right. Long after the pandemic becomes an epidemic, long after we quite rightly take songwriters from the bottom of the equation to the top, we will still be fighting racism. But if we make that fight a part of our daily lives, we will eventually win—and one day there will be people who only see beauty.

**The skyrocketing valuations of music catalogs and music companies have confirmed your theory about where the business was heading. What’s next?**

We’re only scratching the surface of showing the true value of great songs. We’ve demonstrated they are far more valuable than the majors used to dictate to songwriters. As music-streaming services go from 450 million paid subscribers to 2 billion in the next eight years, their true value will be recognized.

Add in the change in paradigm as others follow Hipgnosis into song management, where these great songs are managed with responsibility and usages such as **TikTok, Triller, Peloton, Roblox** and those to come have efficiencies in collection, the songwriter getting a bigger piece of the pie, and then you will see where valuations are going. We are blessed to be in an age where the consumption of music has gone from a discretionary or luxury purchase to a utility. The benchmark for extraordinary success in our business used to be the platinum album. In the U.S., that’s 1 million copies in a country of 360 million. One in 360 tells you that while the average person loves music, they didn’t love it enough to pull \$10 out and pay for it. That contract has been replaced by 100 million homes in the U.S. having a paid subscription. So we’ve gone from one in 360 to one in 3.6! In addition, that certainty of income and low-risk premium is narrowing the discount rate as catalogs increase in value. This is taking place in an era in which almost all consumption is being paid for, when only a few years ago almost all consumption of music was not.

**Say a bit about how Hipgnosis is structured. How do the components fit? What do the key players bring to the table?**

We want Hipgnosis to be both the ultimate advisor to the investment community and the best song-management company to the songwriting community. Hipgnosis Song Management is an investment advisor to our two funds: the public fund, **Hipgnosis Songs Fund Limited**, is a FTSE 250 company trading on the **London Stock Exchange**; our new private fund with Blackstone is **Hipgnosis Songs Capital**.

I knew who I wanted to hire from the get-go; it took time to build a company that was not only exciting but secure enough to be able to hire the very best of the very best. We have an incredible team of 92 people that includes the finest marketing, sync, admin and finance and legal people to achieve our goals. In traditional publishing companies, the stars of the show are A&R people who identify and develop songwriters. At Hipgnosis, the stars are the song managers, led by **Ted Cockle** and **Amy Thomson**, who put more into every classic song to get more out of them. They are enhanced by an incredible Advisory Board that includes **Nile Rodgers**, **Ian Montone**, **The-Dream**, **Starr**, **Giorgio Tuinfort**, **Dave Stewart** and **Poo Bear**, as well as a non-executive board that includes incredible people with best-in-class experience not only in music but in corporate governance and public and private markets.

The basic structure is split into Song Management, Song Administration and Song Creation. In the latter, we have a group of people focused on creating new songs with a small group of very special writers creating the catalog of tomorrow. This is run by **Kenny MacPherson**, with **Casey Robison**, **Jamie Cerreta**, **Dave Ayers**, **Pete Robinson** and **Nick Jarjour**, and the writers include the incomparable **Teddy Geiger**, **John Ryan**, **Julian Bunetta**, **St. Vincent**, **Kamasi Washington** and **Stephan and Jordan Johnson**—**The Monsters & Strangerz**—arguably two of the hottest songwriters in the world, who have sold us their catalogs and have

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With Dave Stewart

joined us for futures. **Andrew Watt** and I have a plan coming together that will be an important focus for us as well.

### **Is that first billion dollars that was widely reported completely spoken for already?**

Yes, it is. You're going to see an incredible cadence of catalogs being announced shortly, and you're going to go, “Merck, *come on*. When did you do this?” And the answer is “every day.”

First of all, it gives me more money to spend on buying catalogs. To the investment community, we're a best-in-class company, putting money into incredible songs and giving a great return. To the music community, we want to be seen as creating the new paradigm of song management. That's the future of what used to be music publishing; it's now about great artists having songs managed with greater care and responsibility. When my people are working, they know that we own these songs. They don't care where the capital comes from.

Blackstone is a very institutionalized company that gets the best out of everything, and their track record is what it is. What they do for us is not to institutionalize us, but to make us more sophisticated, get us to a point where the data isn't just amazing for our shareholders but for our songwriters. We've always had this motive of changing where the songwriter sits in the economic equation, and there's a tremendous amount of political clout across our various investors—probably none more so than Blackstone. That is going to open doors for me to continue to change and disrupt.

### **Let's go back to the beginning. What was your early life like, and what first drew you to music?**

I grew up in a small town in Nova Scotia of 2,000 people. My parents were Greek immigrants. It was great, but there was an underlying tension of being made to feel different. Out of the 2,000 people, 1,900 were either white of French descent or white of English, Scottish and Irish descent. The other 100 were a few Black families, my Greek family, an Indian family and a few Indigenous families. My best friend was Black, and we got a lot of abuse. Our real friends were the records we listened to. When I was seven, my cousin **Mike** came to live with us from Greece. He brought records with him by the early **Fleetwood Mac**, **Chicken Shack**, **Black Sabbath**, **Curtis Mayfield**, **Leonard Cohen**, **Deep Purple**. Those records became the center of my life, along with *Harvest* by **Neil Young** and *Tea for the Tillerman* by **Cat Stevens**. He also knew about drugs, girls and motorcycles. He changed my life. Most of my education came from the music. I never went to university, but I graduated from the University of Neil Young, **Lou Reed**, **Cat Stevens**, **Leonard Cohen**, **The Clash**, et al., with a PhD!

### **Who were your mentors in the business?**

**Bruce Findley**, who managed **Simple Minds** and was focused on creating enthusiasm for this incredible band. **Rod Smallwood** and **Andy Taylor**, who were my partners for 20 years on all things **Iron Maiden** and **Sanctuary**, and the late **Elliot Roberts**, who was the greatest manager of all time. I love you, **Irving**, but Elliot kicked all of us in the ass! What I learned from Elliot was that it was never about the biggest check; it was about getting the most money that allowed you to keep your legacy intact.



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Merck and Nile Rodgers

**Take us back to your early tenure at Virgin Canada. What were your first interactions with artists?**

Simon Draper at Virgin was one of my heroes. He had impeccable taste that covered **Tangerine Dream**, **Henry Cow**, **The Sex Pistols**, **XTC**, **Peter Gabriel** and more. I was determined to be part of Virgin; I thought it was the most artist-friendly company. Simon signed greatness and helped it find an audience for it. I was lucky enough to be there as a product manager for **Culture Club**, **Human League**, **PIL**, **OMD**, **UB40** and **The Blue Nile**, among others, as what was left-of-center began having huge commercial success. Culture Club were the biggest band in the world. Simple Minds were the first band I ever championed, and I had been a massive fan of their albums before they came to Virgin, so I found it effortless to make people believe what I believed. We were lucky enough to have gold and platinum success with just about everything we touched. Simon ensured we had great artists. The President, **Bob Muir**, was a 34-year-old overachiever from **Columbia Records** and a bright marketing executive. We built it into the hottest label in Canada before Bob succumbed to addiction issues. **Laura Bartlett** was my counterpart on the promotion side; we were running a company at an incredibly young age. An amazing guy called **Charlie Dimont** was sent by **Ken Berry** to be our caretaker. He was an underrated guy in the history of Virgin and taught me to do a P&L.

The person I was closest to was **Jeremy Lascelles**, a great record man in his own right, who has **Blue Raincoat** today. He allowed me to be part of signing **Mary Margaret O’Hara**, who was special. She may not have been easily able to articulate what she wanted, but she knew what she *didn’t* want. It was the first time in my four years there that I felt conflicted between what was best for both the artist and the label. I suddenly realized that I wasn’t working for the artists but for **Richard Branson**. I was naïve. I left and made the decision from then on to always be on the artist’s side. My way out was accelerated by Virgin appointing **Doug Chappell** as Bob Muir’s replacement. We were never going to get along, as he didn’t understand the culture. He was promotion-focused, and I was passionate about the artists.

**How did you make the move to management? Tell us about how you came to work with Sanctuary.**

Rod and Andy were both almost 15 years older than me. Iron Maiden was having its first blush of huge success; they were looking to give up responsibility, and I was looking to take some on. It was the start of a great 20-year relationship, but I had to prove myself. I learned every move they made. Andy was 100% business—he hated sports, he could drink a bottle of rum and remember the 64 pages of a record contract. Rod was 100% creative; he lived for sports and could drink 15 pints of beer and not remember a thing the next day. They both worked hard, were incredibly fair and led with integrity. I became the bastard offspring of the two. They, their families and all the Iron Maiden guys are part of my family and my success. Without them, I would never have gotten where I am today.

**What are your biggest takeaways from that experience?**

Managing **Elton John**, **Guns N’ Roses**, **Iron Maiden** and **Morrissey**, overseeing the management of **Beyoncé** and **Destiny’s Child**, helping incredible people like **Troy Carter** and **J Erving**, building the biggest independent company in the world, taking **Bravado** from strength to strength, building what is now **CAA U.K.** The most important takeaway is that, despite Sanctuary’s successes over 20 years, it failed because the bottom fell out of the business. Technology came along and allowed people to download music for free, albeit illegally, and we didn’t make the right moves to sustain. When the business was sold to **Universal**, I walked away from it—ensuring my artistic integrity was 100% intact but with nothing to show financially. The latter was not a big deal as the former was, but I still felt failure. I continued to manage great artists, but ultimately it took seven years to recover, because I was determined to analyze everything that had gone wrong at Sanctuary and learn how to ensure that when I launched **Hipgnosis**, the same thing could not happen.

**Having come through the other side of that, what's your take on artist management now? Have the requisite competencies for that job changed?**

I think artist management is the most important role in the music industry. At the end of the day, the responsibility falls on you. Your job is to make people believe. I support every manager who asks for help, as I want the role to be recognized for what it is—the most important relationship an artist will ever have.

**At what point did the climate seem right for Hipgnosis?**

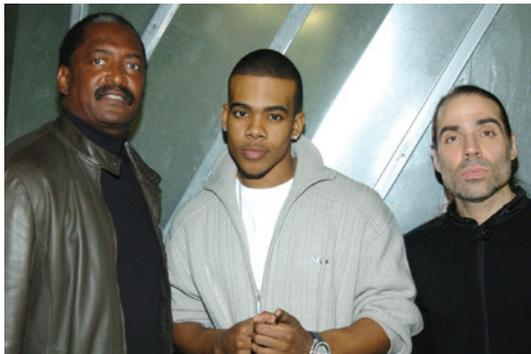
I wanted to change where the songwriter sits in the economic equation. This requires leverage and economic power. I could foresee that streaming was so convenient that it would make people who have never paid for music finally start to pay. That meant our world would actually grow—and so would grow the revenues of the songs that the world loves. The tipping point was 2017, and by 2018, what I predicted to the investment community had become a reality.

**Talk about your participation in the struggle for political backing to improve streaming compensation for creators. Are you optimistic this can be achieved?**

Getting the songwriter recognized in a fair and equitable manner is the motive of the company; it's why I set it up in the first place. I have structured it so there is complete alignment between shareholders and the songwriting community. If songwriters are making more money, then so are our shareholders.

I view the three major recorded-music corporations, not their labels or publishers, as responsible for how the songwriter is being paid. People ask me how I hold them responsible when the way a songwriter is paid is determined by legislation. But legislation is determined by advocacy and lobbying; how can you expect the law to properly reflect how a songwriter should be remunerated when what should be the three loudest voices are being limited by what's

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From top: Merck with Poo Bear; with Elton John and Conde Nast President Richard D. Beckman; with Axl Rose; with Music World/Sanctuary Urban President Matthew Knowles and artist Mario

in the best interest of the recorded-music corporations that own and control them?

The Hipgnosis strategy is to replace those voices with a loud one that has both the financial and political clout to bring change. We are more powerful financially and politically, and our new relationship will put that on warp power.

We've played an important role in the U.K. with the Department of Culture, Music and Sport in helping them realize the imbalance with written and in-person evidence, as well as meetings with the members, the Secretary of State and Parliament. This has helped the DCMS to recommend that the Competition and Marketing Authority in the U.K. investigate the dominance of the major recorded-music companies. That the CMA have agreed to do so is the story of the year.

This is a *major* step in correcting the imbalance. I'm convinced this is now a priority for many in government. This is the beginning and there is a long, hard road ahead. An important part of this is the songwriters guild we are facilitating. This will be a huge development, as will the CMA's findings as well as [U.S. Copyright Royalty Board disputes] CRB 3 and CRB 4, where there's alignment between ourselves and [NMPA chief] David Israelite. This is going to take a few years. It's going to be an important year.

**What's next?**

The focus remains as when we started. One: Establish Songs as an asset class. Two: Use our success and leverage to change where the songwriter sits in the economic equation by advocating and fighting. Three: Replace traditional publishing with song management as the new paradigm for the songwriting community. Four: Launch the songwriters guild, which will ensure that no future negotiation takes place that affects how a songwriter is paid without the songwriter being represented at the negotiating table by their peers. ■