Diversification Strategy of Global Media Conglomerates: Examining Its Patterns and Drivers

Presented to CITI by Sylvia M. Chan-Olmsted
Department of Telecommunication
University of Florida
April 5, 2002

Synopsis
- Examines the diversification patterns of the leading global media conglomerates
- Discuss the role of the wireless sector in the context of global media diversification
- Proposes a framework for analyzing the factors that influence these strategies

What we know about diversification?
- Three aspects of diversification: extent, directions, mode.
- Product relatedness is important
- Interaction of Product and international diversification leads to better performance

Diversification in the Global Media Marketplace

Propositions Regarding the Wireless Sector

In the Context of Global Media Diversification

Research Method
- Exploratory case-study approach (emphasize between-case differences)
- Cases: Top seven global media conglomerates by overall revenues (Bertelsmann, Vivendi Universal, Sony, AOL Time Warner, News Corp., Disney, & Viacom)
- Measures: BSD, MNSD, & M&A activities.
- Sources: Annual reports, Hoovers, Moody’s, OneSource, Gale, & SDC Platinum M&A databases
Product International Diversification

Vivendi was the most aggressive international acquirer with the most regional diversity, while Disney and Viacom were the most conservative conglomerates with the highest degree of geographic relatedness.

International Product Diversification

Vivendi Universal and AOL Time Warner were most active (News Corp - DBS).

International Diversification

Global Media Diversification and the Extension to the Wireless Sector

Regional Diversification

Least action related industries

Lower geographic relatedness but high concentration in a wireless region.
Global Media Diversification and the Extension to the Wireless Sector

Strategic Patterns
- Ownership of Hollywood Studio Assets
- Competitive-Cooperative Relationships between Leading Global Media Conglomerates
- Provision of Cross-Platform Promotional Packages Through Diverse Holdings
- Expansion into the Digital Music Sector
- Positioning for the International Distribution of Internet/Interactive Television Content/Services
- Alliances with Wireless Partners to Improve Content Accessibility via the wireless platform and to develop a presence in wireless Internet services

Conclusion
- Delivering content products using the wireless platform is not consistent with most media conglomerates’ strategic approaches (relatedness, resource alignment, defensive)
- Forming Strategic Alliances to Ensure Content Accessibility and to Develop a Presence in Wireless Internet Services (Minimum Resource Commitments/Risks)
- Observe the growth of demand for wireless content
- Develop complementary Resources
- Explore Product Relatedness

Analytical Framework: Factors Influencing Global Media Conglomerates’ Diversification Strategy