# The SAGE Encyclopedia of Journalism

## Media Conglomerates

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A conglomerate is a corporation with holdings in a diverse range of businesses, which can include media companies. A media conglomerate, however, includes holdings only in media and is by definition diversified into more than one medium, such as print, broadcasting, and/or online. Conglomerates have been criticized for diminishing journalism in order to raise profits, for not allowing their news divisions the independence to report on their owners impartially, and for reducing the diversity of voices in media.

A media conglomerate can be privately owned or publicly traded. Most of the largest media conglomerates are publicly traded, having typically raised the capital needed for their expansion by selling shares to the public. Most of the largest global media conglomerates are based in the United States, reflecting Hollywood's dominance of global entertainment industries. Because of a lack of limits on ownership concentration in the United States, three giant media conglomerates dominate—Disney, Comcast, and AT&T (see Table 1).

A trend at the millennium toward "convergence," or multimedia ownership, then accelerated corporate consolidation, often to levels unsustainable in two major recessions that soon followed. A countertrend of "de-convergence" saw some media conglomerates (e.g., News Corp., Viacom) split into smaller, more manageable entities, but consolidation soon returned.

Diversification is a corporate strategy designed to reduce risk by spreading a company's investments across a range of businesses. A company may be diversified horizontally, vertically, or diagonally. Only a company that is diversified diagonally with holdings in multiple media is considered a media conglomerate. Research has shown that firms that diversify horizontally tend to be more profitable, while those that diversify diagonally tend to be more stable. A horizontally integrated media company owns multiple outlets of the same type. A publisher that owns more than one title is a chain, for example, while a broadcaster that owns multiple stations is a network.

A vertically integrated media company owns affiliates that contribute at different stages of the same core enterprise—for example, a newspaper company that owns a paper mill or a movie studio that owns a chain of theaters. A newspaper company or movie studio that owns a television station or network, however, would be diversified diagonally and thus qualify as a media conglomerate. When the Washington Post Co. bought Newsweek magazine in 1961, for example, it remained a publishing company. It did not become a media conglomerate until it diversified diagonally into cable television in 1982. It became a conglomerate when it bought the Kaplan education company 2 years later.

**Table 1. Largest Media Conglomerates**

| Company | Country | Media | Value [a] |
|---|---|---|---|
| 1. Disney | United States | Film, TV, radio, cable | $220 billion |
| 2. Comcast | United States | Telecoms, TV, film | $209 billion |
| 3. AT&T | United States | Telecoms, TV, film | $203 billion |
| 4. Sony | Japan | Film, music, TV production | $95 billion |
| 5. Thomson Reuters | Canada | News, TV, B2B | $40 billion |

| | | | |
|---|---|---|---|
| 6. Fox | United States | TV | $15 billion |
| 7. Viacom CBS | United States | TV, radio, film | $17 billion |

Source: Investopedia

a 2020 market capitalization in U.S.$ billions (total stock value).

## Growth of Media Conglomerates

Media companies were actually among the first conglomerates, well before conglomeration became popular as a business strategy in the 1950s. Newspaper publishers were some of the earliest owners of radio stations in the 1920s, but most soon divested their holdings in the new medium as incompatible with their core business. Some made a success of multimedia ownership, however, branching out first into radio and then into television. The Chicago Tribune, for example, bought a radio station in 1924, which it renamed WGN after its front-page slogan "World's Greatest Newspaper." It then founded a television station in 1946, which it called WGN-TV. Both broadcast from atop the newspaper's Tribune Tower and also repurposed its content.

The Tribune Company became an exemplar of media conglomeration as it grew throughout the latter part of the 20th century, but it also came to serve as a cautionary tale of the perils that overexpansion could bring. As it grew into a major newspaper chain by buying titles across the United States starting in the 1960s, Tribune also expanded its broadcast holdings, often in the same new markets to take advantage of its content-sharing strategy, which became known as synergy. In 2000, Tribune acquired the similarly diversified Times Mirror Company of Los Angeles for $8.3 billion.

In 2007, however, Tribune was taken over by real estate developer Sam Zell in a deal that would prove its undoing. Zell took on $13 billion in debt to buy out other shareholders and take the Tribune Company private. An economic downturn soon dropped advertising revenues sharply, leaving the company unable to service such a massive debt. It filed for Chapter 11 bankruptcy protection in 2008 and went through a 4-year legal battle for control. It emerged from bankruptcy in 2012 owned mostly by private equity firms, or hedge funds, which had acquired much of the distressed company's debt at deep discounts. Tribune then split into separate publishing and broadcasting companies. The newspaper chain was renamed Tronc (for "Tribune online content") in a 2016 rebranding intended to emphasize a new digital orientation, but the corporate name reverted to Tribune Publishing in 2018. Tribune Media, which held the conglomerate's broadcasting assets, was acquired for $4.1 billion in 2018 by Dallas-based Nexstar Media Group, which thus became the largest owner of U.S. television stations.

Other media companies similarly diversified and grew, driven by economies of scale that reduced their average costs the larger they got, economies of scope from sharing content, and cross-promotion strategies. The giant Thomson Corporation began in the 1930s with radio stations and newspapers in Canada and then expanded into the United States and the United Kingdom. It secured a lucrative license for Scottish TV in 1957, which allowed it to buy the prestigious Times of London in 1966. Having sold off most of its media holdings by the millennium except for The Globe and Mail national newspaper in Canada, it then acquired the global Reuters news agency in 2008 to form Thomson Reuters.

Magazine publisher Time Life expanded into book publishing in 1961 and then into the music business in 1967. Its parent company Time Inc. merged with movie studio Warner Communications in 1990 to form Time Warner. It merged again in 1996 with the Turner Broadcasting System, which owned cable companies, the satellite "superstation" TBS, and cable channels such as CNN and HBO.

Times Mirror diversified from its original Los Angeles Times into book publishing in 1962 and magazines starting in 1969. By 1983, it had also acquired numerous other major dailies across the United States, including Newsday, the Denver Post, The Dallas Times Herald, and the Hartford Courant. It also began to acquire television stations in markets such as Dallas, St. Louis, and New York starting in 1970 and then added cable television companies in Phoenix and San Diego.

The Walt Disney Company expanded from its original cartoon studio and theme park into movie and television production in the 1950s. It founded the Disney Channel on cable television in 1983 and further diversified by buying a book publisher and a record label in the 1990s. It bought Miramax Films in 1993 and 2 years later paid $14 billion for Capital Cities/ABC, which included the ABC television network and cable sports channel ESPN. While media conglomeration grew in the 1990s, its popularity accelerated under a new model of media ownership almost as soon as the millennium dawned.

## Criticisms of Media Conglomerates

Conglomerates and media conglomerates that own news media companies have occasionally been criticized for not allowing their news divisions the independence needed to cover their parent company and its other divisions impartially. They have also been criticized for cutting resources for news divisions at companies they acquire to boost profits. A major criticism of media conglomerates has been that they reduce the diversity of voices in society by increasing media ownership concentration. In his 1983 book The Media Monopoly, Ben Bagdikian counted 50 media companies that then owned most (i.e., more than half) of U.S. media outlets. He predicted that if the trend to corporate consolidation continued unchecked, only one conglomerate would own most of the country's media by the year 2000. Bagdikian revised his count through multiple editions of his book, to 29 by 1987, and to 20 by 1993. In an updated book retitled The New Media Monopoly and published in 2003, there was not one owner of most of the country's media, as originally predicted, but five. That included the German company Bertelsmann, which was the largest publisher of English-language books in the world and also owned major U.S. holdings in magazines and music.

## Regulation of Media Conglomerates

Concerns over the increased power and influence of growing media conglomerates, which started in the early 1970s, prompted the U.S. Federal Communications Commission (FCC) in 1975 to prohibit the issuing or transfer of television station licenses to any owner of a newspaper in the same market. Existing cross-media ownership, such as that of WGN-TV by the Tribune Company, was allowed to continue under a grandfather clause, except in cases of market dominance. In Canada, the 1981 report of a Royal Commission on Newspapers warned strongly against allowing cross-ownership. The governing Liberal Party quickly banned it, but the prohibition was allowed to lapse in 1985 by a new Progressive Conservative government. In Australia, growing media ownership concentration, especially in the hands of newspaper mogul Rupert Murdoch, prompted the Labor government there to ban cross-ownership in 1987. Concerns over growing media conglomeration even brought legislation in the United Kingdom, where television had long been dominated by the BBC public broadcaster. A 1990 Broadcasting Act limited newspaper ownership of the ITV network, which had been established in 1955 as the country's first private TV broadcaster.

## Media Convergence

The advent of the World Wide Web in the mid-1990s, the spread of personal computers, and the development of web browser software made Internet adoption widespread by the end of that decade. This prompted interest among media companies in diversifying into online media. Most were unsure how the Internet would develop but believed it was the way of the future. Start-up Internet companies such as America Online grew by offering online access and web hosting. The merger of America Online and Time Warner in January 2000, just weeks into the new millennium, created the multimedia giant AOL-Time Warner with a market capitalization (total share value) of $241 billion. Due to the dot-com bubble that inflated the share price of digital companies in the late 1990s, however, America Online shareholders received 55% of the new firm despite Time Warner owning most of the assets. The AOL-Time Warner merger created enthusiasm among media owners for diagonal diversification, with carriage companies seeking content companies to team up with, and legacy media looking for digital partners with which to navigate the online future.

Many countries, however, banned or limited the diagonal diversification of media. Companies pressured governments worldwide to ease or lift cross-ownership restrictions, and most did. Australia dropped its prohibition on newspaper-television cross-ownership in 2006, and the United Kingdom also eased its limits. In the United States, several attempts were made by Republican administrations to drop or loosen the FCC's cross-ownership ban, including in 2017 by President Donald Trump, but each time it was blocked in the Senate or in court. In 2021, however, the U.S. Supreme Court unanimously reversed a decision of the U.S. Court of Appeals for the Third Circuit that vacated the changes, thus reinstating the FCC's decision to drop the prohibition.

One country that had no limit on media cross-ownership was Canada, which had dropped its brief ban in 1985. Canadian media were thus reshaped by three multimedia mega-mergers before 2000 ended, and the result was devastating. First, the CTV network was bought by telecommunication giant Bell Canada, which later in the year partnered with The Globe and Mail national newspaper to form Bell Globemedia. Canwest Global Communications, which owned the Global Television network, then bought the country's largest newspaper chain, Southam Inc. Quebecor, then the world's largest printing company, which had recently bought the Sun Media newspaper chain, bought Groupe Videotron, a multimedia company that included cable television, cellular telephony, and the TVA network. The convergence experiment began to collapse in 2009, however, when Canwest Global declared bankruptcy due to debt and its newspaper and television divisions were auctioned off separately out of bankruptcy. CTV and The Globe and Mail dissolved their partnership voluntarily as unworkable the following year, and Quebecor sold Sun Media in 2014 to Postmedia Network Inc., which had been formed by Canwest Global creditors and bond holders, mostly U.S. hedge funds, to take over the former Southam newspapers.

## From Convergence to De-Convergence

Convergence fell out of favor as a media business strategy after the dot-com bubble burst in 2001, and media conglomeration thus began to wane. AOL-Time Warner's share price fell from a high of $55 in mid-2001 to $8.70 on July 25, 2002, and it became the poster child for digital overexuberance. The company dropped AOL from its name in 2003 and sold the division to Google in 2005.

The trend in media ownership instead became one of de-convergence. Viacom, which owned cable television holdings and the movie studio Paramount Pictures, spun off its CBS network into a separate company in 2005. Belo Corporation split in 2008, with one firm owning the Dallas Morning News and the other owning its 50 TV stations. Even Murdoch's global giant News Corp. split in 2013, with one company owning its newspapers and book publishing divisions, and the other owning its TV networks and movie studio. Gannett, which had long owned the largest U.S. newspaper chain, split in 2015 by creating a new company called Tegna to own its 50 TV stations.

The trend began to reverse again, however, and increased conglomeration was seen when AT&T bought Time Warner in 2016 for $108 billion and renamed it WarnerMedia. In 2017, Disney bought 21st Century Fox, News Corp.'s former entertainment arm. In 2018, U.S. cable giant Comcast paid $39 billion for Sky, Europe's largest satellite broadcaster. In 2019, CBS remerged with Viacom to become CBSViacom.

## Financialization of Media

The trends toward concentration, conglomeration, and convergence of media ownership were stages in the phenomenon of "financialization," in which news media ownership became a means to make profits rather than of informing audiences through journalism. This trend, which was also seen in other industries, went to another level after the Great Recession of 2008–2009. Many converged media conglomerates that had become overextended with debt, such as Canwest Global and Tribune, were acquired out of bankruptcy by hedge funds, which had bought up their debt on the bond market, often for pennies on the dollar. By 2014, hedge funds owned six of the 10 largest U.S. chains and the two largest in Canada. GateHouse Media, which was owned by the hedge fund New Media Investments, acquired 200 newspapers between 2013 and 2018 to become the second-largest chain in the United States, and then paid $1.4 billion for Gannett in 2019. Hedge fund owners cut costs mercilessly to milk newspapers of their remaining profits, mostly by laying off journalists. This created so-called news deserts, bringing calls for government intervention to help create a new nonprofit business model for journalism.

See also Antitrust; Convergence; Media Ownership; Newspaper Chains, Ownership of

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- United States
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