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Mobile Wireless Strategy of Media Firms: Examining the Wireless Diversification Patterns of Leading Global Media Conglomerates

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1 Introduction

Just as in the oil and automotive industries in the 20th-century, the media industry is going through a profound transformation, moving from a primarily national to a global commercial-media market, and in the process creating a group of global oligopolists (McChesney, 1999). While this trend of global conglomerization continues in the media industry, the new platform for content distribution, mobile wireless, has expanded rapidly around the world, suggesting ample opportunities for these global media companies. In fact, while the demand for traditional media is saturating in many developed countries, wireless penetration was expected to reach 30% of the world's population by 2007, with certain regions such as Asia-Pacific growing at the highest annual rate of 13.6% (Greenspan, 2004). The growth of wireless services in regions such as Western Europe and many of the emerging economies presents an attractive business opportunity for the leading media conglomerates as they attempt to diversify internationally and into other new media businesses. This chapter assesses the product and international diversification strategy of the leading global media conglomerates in the mobile wireless market. Based on the strategic management literature in diversification and a review of the market characteristics and trends in the international media market, we also suggest a system of drivers that influence the conglomerates' diversification strategy into this particular sector.

2 Diversification Literature

Scholars have suggested that the development of global media conglomerates is driven primarily by the privatization of television in many European and Asian markets, deregulation of media ownership, increasing lifestyle parallelism, saturating demands for many media products in the U.S., and the advance of new communications technologies (McChesney, 1999; Chan-Olmsted & Albarran, 1998; Hollifield, 2001; Noam, 2005).

To provide a framework for our analysis of the conglomerates' diversification strategy, we will first review a body of literature that addresses the concepts of diversification, specifically product diversification, geographic market diversification, and the interrelationship between product and geographic diversification.

2.1 Product, Geographic, and Product Geographic Diversification

Diversification has had a rich tradition as a topic of research since the late 1950s (Chandler, 1962; Gort, 1962; Ansoff, 1957, 1958). While Berry (1975) defined "diversification" as the extent to which a firm is active in a number of industries, Booz, Allen, and Hamilton (1985) more specifically referred to "diversification" as a means of spreading the base of a business to achieve improved growth and/or reduce overall risk which may take the form of investments that address new products, services, customer segments, or geographic markets.

Salter and Weinhold (1979) proposed three general but related models in the discussion of corporate diversification strategies. The product/market-portfolio model emphasizes the attractiveness of the target market in terms of attributes such as market size, growth rate, and profitability. The strategy model stresses the interrelation between the core-business market and the target market, which is the emphasis of this chapter. The third approach, risk/return model, derives mainly from financial theories and reflects the concern and interest of investors. Studies of diversification have generally focused on one or more of the three aspects of diversification: (1) the "extent" (i.e., less or more diversification), (2) the "directions" (i.e., related or unrelated diversification), and/or (3) the "mode" (i.e., diversification via internal expansion/mergers and acquisitions or choices of M&A strategy) of diversification (Qian, 1997; Sambharya, 1995; Miller & Shamsie, 1999).

Diversification strategy may be studied either from the "product" or "geographic" perspective. More recent studies in product diversification often investigate the directions of diversification as related or unrelated (Rumelt, 1984; Qian, 1997). Some have argued that related diversification might exploit economies of scope, product knowledge, and other relevant experience, thus reducing transaction costs and improving performance (Williamson, 1981; Grant, 1988). Others have found no differences or the opposite (Grant & Jammine, 1988; Michel & Shaked, 1984). In general, the resource-based view of strategic management strongly argues for strategic relatedness within a conglomerate when it comes to diversification strategy (Chatterjee & Wernerfelt, 1991).

International market or geographic market diversification may be defined as when a firm is horizontally and vertically integrated across different national sub-markets (Hisey & Caves, 1985). The benefits of diversifying internationally originate from two sources—greater opportunities for higher returns and lower correlations of assets across countries (Cavaglia, Melas, & Tsouderos, 2000). Research has shown that international diversification provides firms with significant advantages, including better firm performance (Hitt, Hoskisson, & Ireland, 1994; Tallman & Li, 1996; Grant & Jammine, 1988; Kim, Hwang, & Burgers, 1993). Several studies have suggested that international diversification results in superior performance because it leads to stability of returns, as well as economies of scale, scope, and experience (Caves, 1982; Kogut, 1985; Kobrin, 1991).

As for the interrelationship between international and product diversification, some research has shown that both international and product diversification individually have no effect on firm performance but their interaction leads to a substantial increase in firm performance (Sambharya, 1995). Hitt et al. (1997) found that geographical diversification improves performance in firms that are highly diversified in terms of product markets. In terms of the directions of diversification, some have advocated that relatedness is especially important as the utilization of core skills, know-how, and management resources is necessary in reducing uncertainties in the process of internationalization (Qian, 1997). Nevertheless, studies have also indicated an inverse relationship between product and international diversification (Grant & Jammine, 1988; Buhner, 1987; Madura & Rose, 1987). As both types of diversification involve substantial risks, it's unlikely that a firm would take on both strategies simultaneously. Thus, firms that are diversified internationally would be less diversified in terms of products (Shambharya, 1995). In sum, scholars have consistently concluded that geographic and product diversifications interact with one another and, individually and collectively, influence differential firm performance (Miller & Pras, 1980; Montgomery, 1982; Palepu, 1985; Grant, 1987).

2.2 Product and Geographic Relatedness and Complementary Resource Alignment for Global Media Conglomerates

The type of diversification one would expect to result from a resource depends on its specificity within a particular industry (Chatterjee & Wernerfelt, 1991). The major distinction between media and non-media products rests in the unique combination of the following media characteristics. First, media conglomerates offer dual, complementary media products of "content" and "distribution." Second, media conglomerates rely on dual revenue sources from consumers and advertisers. Third, most media "content" products are non-excludable and non-depletable "public goods" whose consumption by one individual does not interfere with its availability to another but adds to the scale economies in production. Fourth, many media "content" products are marketed under a windowing process in which a "content" such as a theatrical film is delivered to consumers via multiple outlets sequentially in different time periods (e.g., satellite television pay per view, pay cable network, and broadcast network). Finally, media products are highly subjective to the cultural preferences and existing communication infrastructure of each geographic market/country and are often subject to more regulatory control from the host country because of their pervasive impacts on individual societies.

The listed characteristics of media products lead to a market environment in which related product/geographic diversification as well as complementary resource alignment are likely to be the preferred diversification strategy. The symbiotic relation between media content and distribution products presents a classic case of resource alignment. The fact that an existing product may be redistributed to and reused in different outlets via a windowing process reinforces the advantage of diversifying into multiple related distribution sectors in various international markets to increase the revenue potential for such a product. The dual-revenue source mechanism creates another driver for related and complementary diversification as the larger aggregated number of subscribers/audience adds to the value of advertising spots/space and a conglomerate's ability to offer cross-platform distribution systems for ad messages makes it a more efficient advertising choice. The nature of public goods, on the other hand, encourages the geographic/international diversification of content products, as the incremental costs are minimal for such expansions. Finally, because of the importance of cultural sensitivity and understanding of the regulatory environment, global media conglomerates are more inclined to diversify into related product/geographic markets to take advantage of the acquired local knowledge and relationships.[1] The dependency on local communication/media infrastructure may also lead to a diversification strategy that is geographically related (i.e., regionalized), as geographically clustered countries are often at similar stages of infrastructure development and clusters of media distribution systems may lead to cost/resource-sharing benefits.

3 Examining Media Diversification in the Mobile Wireless Sector

Based on the notions of relatedness and complementary resource alignment as well as the incentive for international expansion into other media markets, we expect that a media conglomerate would have little interest in the wireless sector if product relatedness were its dominant diversification strategy. On the other hand, a media conglomerate would be more interested in the wireless sector if there were established complementary resources for it to utilize. By the same token, we would see more diversification activities into the wireless sector if there were a strong presence in related regions (especially the regions with strong wireless demands).

An exploratory case-study method was adopted for the diversification analysis in this chapter. As suggested by previous researchers, case study is most appropriate when a case represents a special set of circumstances that warrant in-depth investigation (Bradshaw & Wallace, 1991; Tellis, 1997). Researchers examining transnational media management have frequently used case studies, which provide more in-depth reviews of the evolution of transnational strategy and operations (Hollifield, 2001).

One of the most important steps for a case study is the selection of cases that provide insight to the phenomenon to be examined (Yin, 1993). We selected the top seven global media conglomerates based on their overall revenues in year 2000-2001 for comparative examinations because of their market leadership role in the industry. Data for the conglomerates' geographical/product diversification and resources were collected through archival sources such as company annual reports, various financial resources such as Hoovers, Moody's, OneSource, SDC Platinum Mergers and Acquisition Database, and Gale Group Business Databases. We also reviewed the significant developments for each conglomerate in the last three years as reported in financial trades and included in the Gale and OneSource databases to assess the conglomerates' strategic patterns that involved or might lead to diversification activities in the wireless sector.

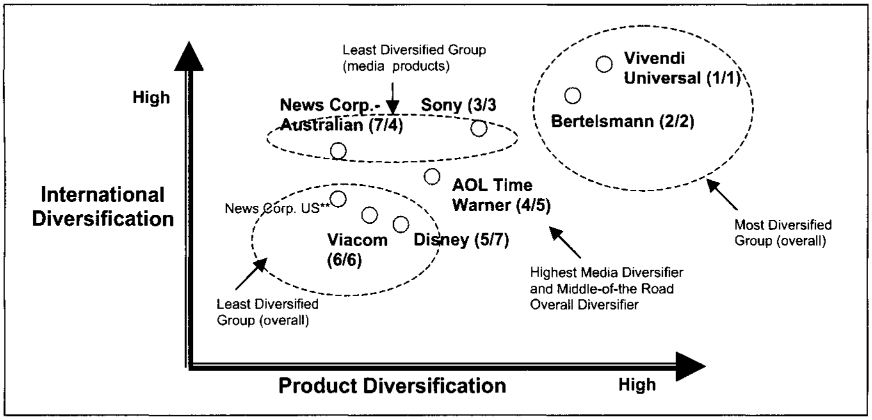
To assess the degree of product diversification, we reviewed the number of business units and sectors (by SIC codes) present for each conglomerate. We also studied the M&A history of the conglomerates as recorded in the SDC Platinum Mergers and Acquisition Database published by *Thompson Finan-*

cial Securities Data. Specifically, we examined the M&A transactions in the last ten years (1992-2002) involving the seven media conglomerates in the wireless and wire-line telecommunications sectors.[2] To measure the extent or multiplicity of foreign markets in which a media conglomerate operates, we investigated the numbers of countries the conglomerates entered during the last ten years in their pursuits of M&A transactions (as an acquirer).[3] We further reviewed the M&A transactions occurring during the period in each region to investigate the core regions of international diversification for each conglomerate.[4]

4 State of International Product Diversification of the Leading Media Conglomerates

There is a range of product and international diversification among the leading conglomerates based on our analysis of the conglomerates' business units, sector presence, and recent M&A activities (see Figure 1). In terms of product diversification, the European Vivendi Universal and Bertelsmann had most diversity, whereas Viacom and News Corp. were in the least diversified group that relied heavily on advertising revenues and was most aggressive in pursuing the product relatedness strategy. It seems that the conglomerates are more motivated to approach related product diversification when there is a need to develop more attractive advertising opportunities (e.g., cross-platform advertising). In essence, the dual-revenue source characteristic of the media products might have influenced the strategic direction of a media conglomerate. Overall, based on the reviews of media sector presence and revenue contributions, one can conclude that Time Warner was the most diversified conglomerate in the global "multimedia" marketplace, followed by Bertelsmann, Viacom, and Vivendi Universal (the former was more distribution/outlets diversified, while the latter was more content diversified), Disney, News Corp., and lastly, Sony.

In regard to international diversification, partially due to the importance of the North American media markets, the most geographic diversifiers were non-U.S. corporations such as Vivendi Universal, Bertelsmann, and Sony according to their international M&A activities and foreign revenue dependency (see Table 1).[5] While Vivendi Universal and Bertelsmann have adopted a less related geographic diversification approach, Disney and, to a lesser degree, Viacom have preferred geographic relatedness. Time Warner was in a class by itself, taking more a middle-of-the-road approach.



*The first number in parenthesis is the conglomerate's product diversity ranking, while the second is its geographic diversity ranking.
**News Corp. would become less internationally diversified if it were treated as a U.S. firm.

Figure 1: Relative International Product Diversification of Global Media Conglomerates*

An examination of the regional diversification patterns based on the conglomerates' M&A activities reveals the essentiality of the North American region (see Table 1). While Vivendi Universal and Bertelsmann focused on the Western European region, Sony and News Corp. concentrated in their home region, Asia Pacific. As Disney and Viacom chose to stay close to home, Viacom attempted to diversify into Western Europe, and Disney tested the Latin American markets. Time Warner, on the other hand, is competing directly against the two European conglomerates, with a focus on the North American and Western European regions. The uneven distribution of M&A activities between regions during the last ten years was consistent with the previous proposition that regional experience and relationships are best realized in "related" international diversification.

Note that Western Europe is especially important as a wireless market currently in comparison to the North American region; in this case, even though Vivendi and Bertelsmann have lesser degrees of geographical relatedness, they still have a very strong presence in a region that's very important in regard to the wireless sector.

Table 1: International Diversification of Global Media Conglomerates by Regions According to M&A Activities

Region	Vivendi Universal	Bertelsmann	Sony	News Corp.	Time Warner	Viacom	Disney
Countries Entered as an Acquirer	36	28	20	18	22	20	11
Regions Entered as an Acquirer	7	6	5	4	6	7	4
Asia Pacific	12	8	46	71	8	3	2
Western Europe	194	185	13	24	38	14	4
Central & Eastern Europe	30	8	1	3	4	1	0
North America	81	41	36	90	89	63	51
Latin America	3	2	2	0	1	4	6
Central America/the Caribbean	2	0	0	0	0	1	0
Near East	3	1	0	0	1	0	0
Africa	0	0	0	0	0	2	0

Source: SDC Platinum M&A Database

5 Conglomerate Diversification into the Telecommunications Sector

We also examined specifically the conglomerates' mergers and acquisitions of wireless telecommunications firms to assess the media's interest in the wireless business. We reviewed each conglomerate's M&A transactions targeted at the firms in the wireless sector (SIC 4812) during the same ten-year period (see Table 2). Overall, Vivendi Universal, and News Corp.,[6] followed by Time Warner, were relatively more active than the rest of the conglomerates. Bertelsmann, Disney, and Viacom had no wireless telecommunications-related M&As during this period. By comparison, Vivendi Universal was also more aggressive than the other two in diversifying into the wireless sector "internationally" (i.e., 10 of the 10 transactions were international).

6 Wireless Activities of the Leading Media Conglomerates

Though we have not observed an overwhelming interest in the wireless sector for these media conglomerates as they attempt to diversify through equity acquisitions, many of the conglomerates have participated in the mobile wireless sector via various types of non-equity alliances with firms that provide either the conduit, equipment, or content for wireless services. We will now discuss some of these conglomerate activities involving the wireless sector.

As evidenced by the M&A analysis, Time Warner is a relatively active wireless player among the leading conglomerates. In fact, one of Time Warner's

Table 2: Global Media Conglomerates' M&A Transactions Targeted at Wireless Firms 1992-2002

	Vivendi Universal	Bertelsmann	News Corp.	Time Warner	Sony	Viacom	Disney
Wireless (4812)	10	0	10	6	2	0	0
International	10	0	3	2	1	0	0
Domestic	0	0	7	4	1	0	0

Source: SDC Platinum M&A Database

Table 3: Selected Wireless Partners and Activities of the Leading Global Media Conglomerates

Time Warner		
AOL Mail/Instant Messenger Agreements with Wireless Firms – AT&T Wireless – Motorola – Deutsche Telecom AG's VoiceStream Wireless – Aether Systems – VoiceStream Wireless – Psion – Genie (a European mobile Internet player) – Nokia – Research in Motion – Bellsouth – Arch Communications – Sprint PCS – NTT DoCoMo	*Content-Related Agreements* – Motorola – Warner Bros. – AT&T Digital PocketNet – OmniSky	*Licensing Agreements of Text Input Software* – Hitach – China Kejian Corporation Ltd – Arima – Sendo – Toshiba – Hyundai Electronics – Sony – Telit Mobile Terminal (Italy-based mobile phone maker) – Panasonic
Disney		
Content-Related Agreements – Telenor Mobile – SK Telecom (a Korean mobile Internet service provider) – AT&T Wireless – Sprint PCS – Deutsche Telecom AG – Taiwan Celluar Corporation		
Bertelsmann — BeMobile		
Content-Related Agreements – Quam and Bertelsmann's BeMobile – Isyndicate – Tera Lycos – AOL	*Software/Platform Development* – Zap Business Communication Systems (JuniorNet B-to-B Wireless Access)	

(continued)

Sony	
Handset and Software/Platform Development – Ericsson – Nokia – Sun Microsystems – Microsoft	
Vivendi Universal — Moviso	
Multimedia/Wireless Platform Development – Thomson multimedia – Premium Wireless – Vodafone Group Plc – Vizzavi Europe	
News Corp.	
Content-Related Agreements – OmniSky International	*Mobile Internet Services* – Singapore Telecom
Viacom	
Content/Brand-Related Agreements – nGame	*Mobile Internet/Messaging Services* – OmniSky International – IBM – VibesMedia

Sources: OneSource.com, company press releases and websites, & Hoovers.com.

core businesses, Internet access services, is strongly tied to the development of wireless web. A review of Time Warner's wireless activities revealed that AOL has been focusing on expanding its e-mail and instant messenger services and on licensing the T9 Text Input software to mobile-device makers and wireless service providers (see Table 3). Relatively, it has focused on improving the wireless accessibility of its Internet core product and not attempted to capitalize on its content properties and brands as its counterparts such as Disney and Bertelsmann have (see Table 4). In fact, Disney, with a high relatedness diversification strategy, has expanded to the wireless sector by emphasizing primarily the transfer of its branded media content (such as images/characters and short program content) to the wireless outlets. Bertelsmann, with low overall relatedness but strong media brands and an European presence, has also been active in forming alliances to enable the wireless transfer of its branded content products.

As a wireless device maker, Sony has, on the other hand, emphasized technical alliances or licensing agreements with other wireless-device makers such as Ericsson or Nokia and software companies such as Sun Microsystems and Microsoft. In essence, with relatively less relatedness and strong media brands, Sony seems to focus on improving wireless accessibility through the development of competitive, seamless wireless devices and software. As a highly diversified conglomerate, similar to its counterparts with relatively less product relatedness, Vivendi Universal has centered its wireless efforts on improving the accessibility of contents. Its Moviso subsidiary has formed alliances

Table 4: Strategic Focus and Relatedness/Resource Alignment of the Global Media Conglomerates

CONGLOMERATE	STRATEGIC FOCUS	STATE OF DIVERSITY/RELATEDNESS
Time Warner	Accessibility (wireless access of Internet products)	– Moderate product relatedness (low media relatedness; core Internet product) – Moderate regional relatedness
Sony	Accessibility (wireless device & platform development)	– Moderate product relatedness (high media relatedness) – Moderate regional relatedness (strong Asia Pacific presence)
Vivendi Universal	Accessibility (Platform development)	– Low product relatedness – Low regional relatedness (strong European presence)
Bertelsmann	Transfer of media content/brands	– Low product relatedness (strong media brands) – Low regional relatedness (strong European presence)
Disney	Transfer of media content/brands	– High product relatedness – High regional relatedness
News Corp.	Limited content & accessibility	– High product relatedness – Moderate regional relatedness
Viacom	Limited content & accessibility	– High product relatedness – High regional relatedness

to develop the smooth transfer of content products using multimedia/wireless platforms. Finally, News Corp. and Viacom, the two conglomerates that have employed a most related diversification strategy, have initiated limited partnerships with wireless firms in areas of content for mobile wireless users and Internet access/messaging services (see Table 4). Our observations of these conglomerates' wireless activities seem to be consistent with our previous propositions on the importance of relatedness and resource alignment.

7 Strategic Patterns of the Leading Media Conglomerates Concerning the Wireless Sector

A review of the significant developments in the wireless sector in the last few years involving the selected global media conglomerates revealed some interesting trends that paint a more descriptive picture of the wireless diversification efforts of the conglomerates.

7.1 Competitive-Cooperative Relationships Between Leading Global Conglomerates

An interesting phenomenon that we have observed in the last few years is the interdependency that turns the leading global media conglomerates not only into competitors but also into partners (Chan-Olmsted, 2004). For example, in an attempt to expand to the European market, Time Warner allied with Vivendi Universal under an agreement in which Vivendi Universal group companies exchanged shares with AOL's European holdings and entered into other distribution and marketing agreements with Time Warner. As Sony and Time Warner formed various partnerships to develop home networking technologies that provide a variety of consumer content and services for a broadband environment, News Corp. and Vivendi Universal entered a worldwide co-publishing agreement, which grants Vivendi Universal exclusive rights to manufacture, market, and distribute certain News Corp. content products. Disney and News Corp. have established a joint venture that offers a new broadband entertainment service called Movies.com, which provides movies and other entertainment content on demand to U.S. consumers. Recently, Bertelsmann and Time Warner co-invest in a mobile gaming and entertainment company, Codeonline, to develop mobile services for brands/content such as "Who Wants To Be A Millionaire?," "Trivial Pursuit," and "E.T."

7.2 Alliance with Wireless Partners to Improve Content Accessibility and Internet Presence

While the global media conglomerates do not aggressively "diversify" into the wireless sector, they have actively sought strategic alliances with wireless firms to ensure the accessibility of their "content" products via the wireless platform and to develop a presence in wireless Internet services. For example, Vivendi Universal has invested in many U.S.-based wireless companies such as Premium Wireless Services and the satellite television service EchoStar. In Europe, working with Thomson Multimedia, Vivendi Universal is testing multimedia uses of its content for mobile phone, in addition to its agreement with Vodafone in establishing a new 50/50 Internet company to develop and operate a branded Multi Access aiming at developing the wireless Internet.

As for other global conglomerates, Disney has signed distribution agreements with Telenor Mobile for access to Norway, Sweden, Denmark, and Finland users, and with SK Telecom for access to Korean users, in addition to its agreements with the American wireless players, AT&T and Sprint PCS. Time Warner continues to develop partnerships with a variety of wireless companies such as NTT DoCoMo, Deutsche Telecom AG's VoiceStream, Motorola, AT&T, OmniSky, Sprint PCS, Psion, and Aether Systems, Inc., to increase its presence and accessibility in the wireless market. Again, as Sony allied with various wireless companies such as Nokia to develop an open and common platform for wireless services, News Corp and OmniSky, a provider of comprehensive branded wireless Internet service for handheld mobile devices, formed a joint venture to explore international opportunities for wireless Internet services.

7.3 Position for the International Distribution of Mobile Interactive Television Services

To ensure that they are at the forefront of the Internet-driven wireless broadband television revolution, global media conglomerates are establishing interactive television and Internet content and services and are allying with the firms that facilitate such services. For example, Time Warner has allied with Cisneros to produce online and television content to tap into the Internet growth in Latin America (Mermigas, 2001). Time Warner has also formed joint ventures with Microsoft to package Miscrosoft's Internet audio and video technology with AOL's Internet service. Disney's Internet Group and BellSouth have joined an agreement under which Disney licenses selected online content on a non-exclusive basis to BellSouth for re-distribution via the Bell-

South Internet Service portal. Viacom, via its CBS holding, has allied with Microsoft to deliver interactive television programming. Sony and RealNetworks have formed a strategic alliance under which the two adopt each other's technology to co-market products. Sony is also working with Microsoft to fund development of an interactive Microsoft television concept. While Vivendi, Canal+, and Vodafone AirTouch formed a joint venture that created a company to provide a multi-access Internet portal for Europe, News Corp. entered a partnership with Worldgate to develop interactive television services and again allied with GigaMedia to develop interactive television in Asia. Most of these Internet-based interactive television ventures include plans to distribute interactive television services via both wired and wireless platforms.

8 Drivers for Mobile Wireless Diversification

By nature, for the global media conglomerates, the decision to diversify is a matter of degree and target and not the decision of whether to diversify (Compaine, 2001; Noam, 2005). Many media trade publications have identified up to 50 conglomerates that are actively pursuing a diversification strategy in the global media marketplace (Global Top 50, Aug 27, 2001; U.S. Top 100, August 20, 2001). We proposed that, in the case of wireless diversification for a media corporation, as prescribed by the industrial economics perspective of diversification which stresses the importance of external environment in shaping the strategic behavior of a firm, the general environment of a target country such as its regulatory, economic, technological, cultural, and social (e.g., education) environment influences not only the attractiveness and characteristics of the wireless market in that country but also another set of important country specific external factors—the country's wireless communications infrastructure and demand for the wireless products (see Figure 2). These environmental factors also directly impact the attractiveness of the wireless industry in that country. Continuing on the industry economics theory of diversification, a media conglomerate's decision to enter the wireless market is likely to be determined by its target industry's basic wireless market characteristics such as market size, growth rate, profitability, and competition, as well as the factors of product/geographical relatedness and content-distribution complementary alignment as discussed previously.

Subscribing to a resource-based view of strategy, we believe that in addition to many internal/resource drivers such as financial performance, current diversifying equity-based holdings, internationalization expertise, and mar-

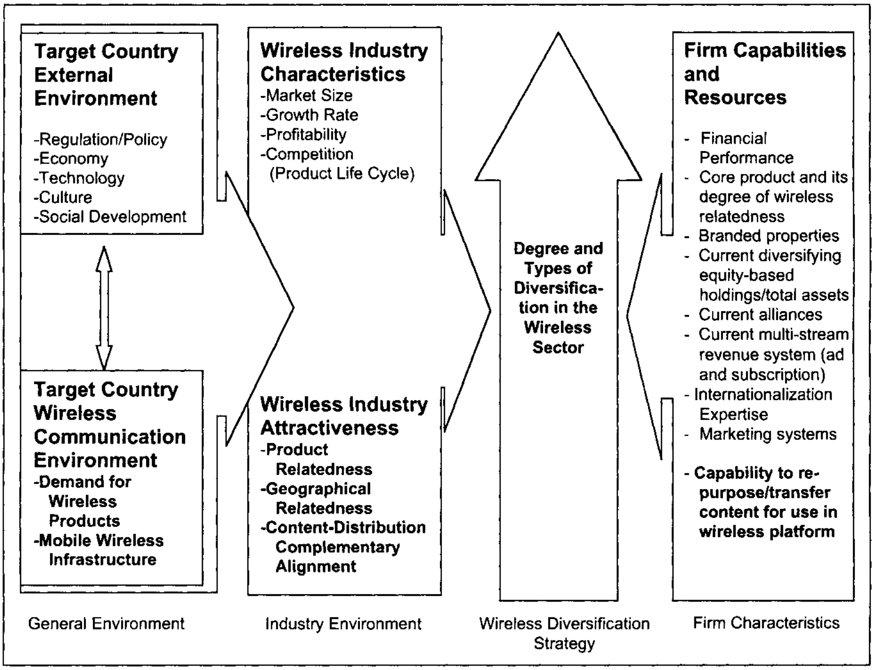


Figure 2: Factors Influencing Global Media Conglomerates' Wireless Diversification Strategy

keting systems, that have been established to impact corporate diversification in previous literature (Miller & Shamsie, 1996; Barney, 1991; Grant, 1991), many media specific resources affect a conglomerate's diversification decision. For example, a media corporation's existing alliances with other wireless firms, its dependency on and wireless relatedness of the core product, and branded properties would shape the conglomerate's preference in both product and geographic diversification in the wireless sector. Most importantly, a conglomerate's capability of transferring or re-purposing content products for the wireless outlets as well as the availability of a multi-stream revenue system would also determine the degree of geographic diversity and the extent, directions, and mode of product diversification into the wireless market (see Figure 2).

9 Conclusion

The global media conglomerates have approached the mobile wireless medium with limited asset diversification but numerous strategic alliances to improve the wireless accessibility of their media content/brands and Internet services. The factor of product relatedness apparently presents an obstacle for aggressive extension to the wireless sector by the media conglomerates. Complementary resource alignment also seems to be a pre-requisite for wireless diversification as related geographical markets appears to be a preference for the conglomerates. We also found the necessity of owning North American media assets, especially those of content properties; the importance of allying with partners that improve content accessibility globally; and the need to explore the new media opportunities via alliances with international media facilitators, distributors, and content producers. There is an observable oligopolistic behavior between the leading conglomerates as these competitors frequently become collaborators for business ventures in a less certain market environment (e.g., new geographic or product markets).

Subscribing to both the industrial economics and resource-based view of strategy, we believe that the demand and infrastructure in a target country, the country's wireless industry's attractiveness in regards to product relatedness and other factors and a conglomerate's ability to repurpose its branded content for the wireless platform in that country will remain the primary drivers that will determine the global media conglomerate's participation on the wireless sector.

In conclusion, diversifying into the wireless industry with a goal to deliver mass media content products using the wireless platform is currently inconsistent with most media conglomerates' strategic approaches, namely, the considerations of relatedness, resource alignment, and the defensive tendency. It is more likely for these conglomerates to first form strategic alliances to ensure content accessibility and to develop a presence in wireless Internet services. This strategy requires minimum resource commitments and risks. As the conglomerates observe the growth of demand for wireless content and the maturing of wireless technology, they may choose to develop complementary resources and/or explore product relatedness in their next diversification move.

Endnotes

[1] The geographic market relatedness may also be examined in terms of language and cultural relatedness (e.g., Spanish language media content).

[2] Note that the premise of our examination is that the diversification entry approach is predominately through mergers and acquisition than internal development as documented by many studies. See Mermigas, 2001; Albarran and Chan-Olmsted, 1998; and Shearer, 2000.

[3] We decided to use this measure instead of the number of countries where a conglomerate has established operations because of the complex and inconsistent definitions for international branches each conglomerate has adopted, which may include subsidiaries as well as affiliates and nonaffiliated licensees, and the discrepancies in the numbers of reported countries entered by different divisions of each conglomerate.

[4] The classification of the eight regions was based on the considerations of cultural, economic, and physical geographic divisions and adopted from the Economic Growth Regional Classification framework proposed by the Economic Growth Center of Yale University. See http://library.yale.edu/socsci/egcclass.html.

[5] About 49% of Vivendi Universal's revenues were from foreign sources, 64% for Bertelsmann, 67% for Sony, 26/90% for News Corp. (depending whether treating it as an Australian or U.S. firm), and 21% for both Viacom and Disney.

[6] The wireless investments that News Corp. made were mainly in the satellite television industry.

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