

This update refers to Chapter 7: Industries, pp 214-15 and to the Case Study on the major players, p. 247. It concerns the changes in control of DreamWorks and Viacom.

DreamWorks, the studio created by Steven Spielberg, ex-Disney executive Jeffery Katzenberg and record label owner David Geffen in 1994, has been broken up and sold to Paramount. DreamWorks Animation remains independent but distribution rights go to Paramount.

DreamWorks had many successes in its short life, but it is difficult for a new studio to survive in the international film market. The margin on page 215 refers to a reported bid for the company in July 2005 by Universal, itself under relatively recent new ownership by General Electric/NBC. Instead Paramount closed the deal in December 2005.

At more or less the same time that Paramount announced the DreamWorks deal, it's own parent company, Viacom, confirmed its break-up into two separate companies from 1st January 2006: Paramount for film and international/cable TV brands (MTV, Nickelodeon etc.) and CBS for American TV and radio, outdoor advertising, publishing, theme parks etc. Go to <http://www.viacom.com/separation_overview.jhtml> for more information.

The demise of DreamWorks as a separate 'studio' does not affect the overall structure of Hollywood which still recognises the same six 'majors': Warner Bros, Sony, Universal, Paramount, Disney, 20th Century Fox. It should, however, boost the performance of Paramount, which has tended to be the least active of the majors in recent years.

Viacom is the first of the major conglomerates to 'de-merge' in this way. The reasons for doing so are mainly concerned with benefiting shareholders. In a large conglomerate which includes different kinds of businesses operating in different financial environments, financial managers believe they do not have the flexibility to 'grow' specific brands, which may be held back by more established 'mature' brands.

In March 2006 another conglomerate, Bertelsmann was reported to be considering selling its share of the music group it controls with Sony. If this sale eventually goes through, Bertelsmann will be following Time Warner in moving out of being a 'music major' (see p 245). Analysts suggest that Bertelsmann may want the cash from a sale to enable it to maintain its own status as a private corporation (i.e. by buying back publicly-owned shares in its own company).

These events suggest that the drive towards ever more 'consolidation' may have been at least temporarily halted.