CULTURE

Why Viacom and CBS Had to Merge to Survive

The two companies have united their broadcasting properties to battle with their rivals.

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This now-official merger is about amassing enough capital to do battle with the giants of the media world. (CBS ALL ACCESS)

The long history of CBS and Viacom merging, splitting up, and getting back together could be fodder for a juicy romance novel if it weren't so dully corporate. Viacom (originally named CBS Films) was created as a syndication company by CBS in 1952 and spun off in 1971 because of a now-defunct law barring networks from owning syndicators. It grew so large on its own that Viacom, at one point, owned Paramount Pictures, Blockbuster Video, and, in 1999, CBS itself, merging back with its old corporate parent only to split apart again in 2005. Now the two companies are uniting again, but this time as an act of survival.

When CBS and Viacom divorced 14 years ago, it was out of concern over stagnant stocks and in-fighting among its chief executives. This now-official merger (announced last week) is about amassing enough capital to do battle with the giants of the media world, from old rivals Disney and WarnerMedia to tech juggernauts such as Netflix and Amazon. The newly monikered ViacomCBS will encompass CBS channels (including the Showtime network and The CW) and Viacom holdings such as Paramount, MTV, Nickelodeon, and Comedy Central. That's big, but the CEO, Shari Redstone, has made it clear that she wants to get bigger.

"My father once said, 'Content is king,' and never has that been more true than today," Redstone said in a statement, referring to her father, Sumner Redstone, who once presided over the CBS/Viacom empire. "We will establish a world-class, multiplatform media organization that is well-positioned for growth in a rapidly transforming industry." At one point, she had considered selling her empire to a larger company, according to Reuters, but is now looking to potentially acquire the Discovery network or part of Sony Entertainment.

The combined forces of CBS and Viacom amount to a $30 billion market capitalization, but Netflix is valued at $137 billion, and Disney at $247 billion. That is why Disney bought Fox this year, and why AT&T took over Warner Bros. and HBO—the business of owning a movie studio or a TV channel is simply not regarded as being profitable enough on its own to survive. The only way to compete in a global market where streaming media can reach billions of people in an instant is through sheer size, with branches in film and TV production and distribution, along with a dedicated subscription service, such as Disney's planned Disney+ or WarnerMedia's impending HBO Max.

But the Viacom/CBS union has raised alarms among some government watchdogs, worried about the growing lack of competition in a market of programming titans. (The 1971 law that broke up Viacom and CBS in the first place was repealed in the Telecommunications Act of 1996, a broad deregulating of the telecom business that prompted companies to grow larger.) Senator Elizabeth Warren of Massachusetts tweeted that the Justice Department should pay “close attention” to the increased number of big mergers, saying, “Consolidation raises serious concerns for consumers, employees, and the entire sector.” The Disney-Fox union, for instance, led to thousands of layoffs, with more potentially on the horizon.

ViacomCBS may now plan for a new streaming company, or simply seek to build on the gains of CBS All Access, which has drawn in subscribers on the back of one of CBS’s most valuable properties, the *Star Trek* TV franchise. The launch of *Star Trek: Discovery*, available exclusively on All Access, was enough of a hit that the network has ordered several more *Trek* shows, including one focused on the venerable Jean-Luc Picard (Patrick Stewart) and an animated comedy. Viacom, through Paramount, owns the rights to the *Star Trek* film franchise, which has been held apart from the TV show for years because of corporate jockeying; the two can now coexist again.

Any fan delight over the union of these separated franchises can sometimes override the more ominous parts of a huge media merger. The Disney takeover of Fox meant that the Marvel comic-book-movie world could be whole again, since Fox owned the rights to *X-Men* and the *Fantastic Four* and Disney held the rest of the Marvel licenses. But it also meant that the biggest movie studio in the world had sucked up one of its major competitors: Disney's market share in theaters this year has been a staggering 37 percent, more than twice its nearest rival. Expanded cinematic universes might be nice, but they also create the kind of industry panic that leads to further consolidation.

Larger companies might be better suited to compete with the Disneys and Netflixes of the world, but they're going to be less interested in taking risks. Conglomerates such as WarnerMedia and NBC/Universal, with global scope, are going to be geared toward projects with global appeal—based on established franchises, focused on the widest audiences possible. It's why nine of the 10 most successful films of the year thus far either are based on comic books or are remakes and sequels to other hit movies (only Jordan Peele's *Us* bucks that trend). Big studios have no patience for niche projects, only guaranteed smash hits that can move a stock needle. The union of Viacom and CBS may prove a more stable organization for this media climate, but it may also end up a more artistically homogenous, less chancy one.

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