



Media Bias and Advertising

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Media bias is a very interesting topic. Much recent research tries to figure out what causes media bias (slanting) and what is responsible for large differences across countries. There are many reasons why the media is owned by a mogul with strong political interests – such as Rupert Murdoch, some more subtle (e.g. the idea that people do not go to the media to discover the truth but rather they look for confirmation of their existing political beliefs (see book)).



A recent paper in the *Journal of Marketing Research* by three researchers at the University of Pittsburgh brings an interesting perspective to this debate by showing how the nature of advertising influences media bias.

Imagine a scenario where a substantial part of media revenues come from advertising. Assume further that consumers' product preferences are correlated to their political views (e.g. republicans might be more likely to buy Chevy trucks and Dell computers while Democrats may be more inclined to buy Toyota and a Mac, to just mention two categories). For many product categories this is a plausible scenario. If this correlation is high then advertisers are inclined to advertise in media outlets that have bias correlating with their customers' preferences because, in this way they can better target their messages. Such "differentiation" in the placement of ads (called single-homing by the authors) is likely to soften price competition. In response to this incentive, the media will become biased because they can have monopoly power over the advertisers. In the opposite case, when such correlation is negligible, firms tend to place their advertising in all media (multi-homing), which then provides no incentive for media firms not to differentiate on content (as it doesn't help attracting advertisers) and as a result makes media firms less likely to slant.

Of course a lot depends on what we assume is the underlying need of consumers, what proportion of media revenues come from advertising vs. subscriptions, what is the nature of competition for eyeballs across product categories, the cost of slanting and so on. Nevertheless, this is an original idea and shows how complex the media industry is with its vast ecosystem of industry players and two-sided markets.

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