How similar news stories can influence financial markets

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Have you ever noticed a swath of similar business news stories about a particular topic during a Google search, all of them appearing to be reported by different news outlets?

Why might a story on a news site in New York be so similar to one from a site in, for example, Wisconsin? It's likely because the same media company owns them—and it's become more commonplace nationwide as news outlets grapple with dwindling resources.

A new study co-authored by Flora Sun, assistant professor of accounting at Binghamton University's School of Management, tackles this issue by examining how business news outlets owned by the same media holding companies tend to produce more similar news stories, which could have negative implications for financial markets. It leaves fewer options for unique news content, according to the study, so investors could become less efficient at interpreting important information in earnings reports.

"We could see how the market could be affected by such similar coverage since the speed at which the stock price incorporates new information is getting slower. This is because we do not have diverse enough opinions to offset each other and try to achieve a very efficient price in the end," Sun said.

"The key takeaway is that you might be subscribing to 10 newspapers or online news websites, but the information you're getting might be pretty similar, and all those sources happen to be owned by a common media company."

Researchers reviewed news articles about earnings announcements in 34 major media outlets involving 4,462 publicly traded companies between 2007 and 2019 for the study. In all, 288,385 articles about 95,820 earnings announcements were examined.

Using various statistical tools to analyze the data, Sun and fellow researchers determined that individual members of group media companies often take similar approaches when portraying the same event in their news coverage. This includes similar tones and language used in headlines and the articles themselves.

"Many market participants are likely unaware of this, as these media outlets often appear unrelated," the study noted, "and consolidation (of media companies nationwide) may weaken the media's role as an information intermediary."

The researchers contended media outlets today likely have higher incentives to share content due to economic pressures, which, among other things, could lead to producing similar content at the expense of individual quality. Shared content tends to be more prevalent among outlets with peers with high audience reach, increasing the incentive to do so, researchers said.

"It's important to remember that this research isn't saying the media is always biased," Sun said. "We're just demonstrating how investors should be aware of this scenario that exists in today's media landscape."

The study, "Common Media Holding Companies and the Uniqueness of Business Press Content," was published in *The Accounting Review*.

More information: Kenneth Merkley et al, Common Media Holding Companies and the Uniqueness of Business Press Content, *The Accounting Review* (2024). DOI: 10.2308/TAR-2023-0191

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