

Local media have positive slant toward local businesses, Rice University expert finds

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When local news media report about hometown companies, they use fewer negative words than when reporting about nonlocal companies, according to research by business experts at Rice University and the University of Texas at Dallas.

Alex Butler, a professor of finance at Rice's Jones Graduate School of Business, said this positive slant is not coincidental; it's the result of local companies' advertising expenditures in local media outlets. This positive [media bias](#), or hype, creates a conflict of interest and can affect firm values, particularly those of smaller firms. Butler co-authored the 2012 study "Don't Believe the Hype: Local Media Slant, Local Advertising and Firm Value" with Umit Gurun, an associate professor of accounting at UT Dallas.

A new animated video helps illustrate Butler and Gurun's findings.

[Don't Believe The Hype](#) from [Kindea Labs](#) on [Vimeo](#).

"This local media hype matters because people tend to invest disproportionately in companies that they are geographically close to, so investors need to consider strongly the nature of the information [local news](#) provides before making investment decisions," Butler said. "But there is good news. Although advertising may create a conflict of interest for local media, the national media do not exhibit such a bias. So when investing, do your homework. Check what the national media are

writing, and don't believe the hype."

Provided by Rice University

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