

# Product Positioning and Polarization in the Demand for Local News

**Jason Zhao**  
Purdue University

Cite as:

Zhao Jason (2026), Product Positioning and Polarization in the Demand for Local News. *Proceedings of the European Marketing Academy*, 55th, (132609)

Paper from the 55th Annual EMAC Conference, Bath, United Kingdom, June 2-5, 2026



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## **Abstract**

I study how local newspapers differentiate their news content, and how these editorial choices affect ideological segregation in news consumption. Specifically, I examine how firms position their products when Republicans and Democrats may differ in preferences for both ideologically slanted reporting as well as different topic coverage. To do so, I create a measure of partisan slant that separates politicized rhetoric from different topic selection between Democrats and Republicans. I use this measure to estimate a demand model in which Republican and Democratic consumers have separate, party-specific tastes for partisan slant and topic coverage. I find that consumers in both parties prefer partisan slant that favors their own ideological positions, with Democrats displaying a greater mean preference for like-minded slant. However, while Democrats prefer topic selection that mirrors that of major national papers, Republicans prefer more specialized reporting. I then model how firms choose slant and topic coverage in a simultaneous-move game. I show that because firms may differentiate over not just how but what they report on, policies aimed at limiting political slant in reporting are not sufficient to address polarization in news consumption. Moreover, I find in a counterfactual simulation that government subsidies promoting increased entry in local news may lead to both more extreme slant and increased ideological segregation in consumption.

**Track:** Methods, Modelling & Marketing Analytics