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Applying channel complementarity theory to new and traditional economic media usage patterns of U.S. investors

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ABSTRACT

The role communication processes within the realm of economic and financial activity is an important, yet relatively unexplored phenomenon. We define economic communication as the purposeful exchange of financial and economic ideas and messages by citizens, media, lawmakers and economic professionals intended to shape national, local, or personal finances. We use channel complementarity theory to examine the choices and combinations of communication outlets utilized by individuals seeking economic information, especially the differences between online and offline economic communication. Results indicate a high degree of complementarity across several modes of economic communication, including traditional and new media, interpersonal discussion, and professional communication.

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1. Introduction

Communication scholars face the daunting task of tracking, analyzing, and explaining a constantly-moving target: Who is using what media when, where and why? Media researchers must also address questions of whether these channel selection decisions lead to satisfaction of needs for consumers. With the increasing overall availability of information and content, these questions have become increasingly important in recent years. The current era is marked by exceptional levels of economic anxiety and uncertainty. Since the downturn of the housing market and the sudden contraction of the global economy in 2007 and 2008, economic confidence has hovered near record lows. Since the University of Michigan began tracking consumer sentiment in 1962, only the late 1970s can compare with current (2008–2013) perceptions of economic stagnation. While "economic conditions" are conceptually nebulous, economic realities can be experienced by individuals and groups on many different levels. Personal economic circumstances such as income, bills, and employment are real and apparent, but one's perception of whether the larger economy is relatively weak or strong can conceivably be affected by any number of factors, including local stores closing, economic hardships experienced by others, and media reports of local, state, and national economic health.

The present study focuses on the channel complementarity (Dutta-Bergman, 2004a) between media types (i.e., traditional vs. new media), as well as the impact of interpersonal discussion with family and friends and discussions with financial professionals. We specifically explore the factors that drive individuals to use new media technologies to obtain economic and financial information.

This research employs a national, web-based survey of stock market investors to explore how individuals use different communication channels to obtain information about their own investments as well as the broader health of the economy. We use channel complementarity theory (Dutta-Bergman, 2004a, 2005, 2006), an approach previously used in health communication research, to examine the degree to which information seeking via one communication channel (e.g., new media use) is related to—or complemented by—seeking information from a different type of channel (e.g., traditional media, interpersonal discussion) (Tian & Robinson, 2008). In addition to extending complementarity theory to economic communication, we also examine individual factors (e.g., demographics, perceived media bias, and financial efficacy) that may influence the degree to which individuals seek information from varied communication channels, including traditional media (e.g., newspapers, television news), new media (e.g., Facebook, blogs), interpersonal communication with family or

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friends, or professional communication (e.g., professional financial advisers).

2. Theory

Media effects and communication literature includes numerous studies of how individuals use different communication channels to obtain information (Dimmick, Kline, & Stafford, 2000). However, the role of the communication process within the realm of economic and financial behavior has been left relatively unexplored. The closest analog in the existing literature is in the subarea of political communication, which, in part, examines the impact that media (Boulianne, 2009) and interpersonal discussion (Eveland, 2004) have on political behavior (Hardy & Scheufele, 2005; Tewksbury, 2006; Xenos & Moy, 2007). Studies in political science and economics also have explored the relationship between the perceived health of the economy and voting behavior (Vavreck, 2009).

Though it is helpful to begin by borrowing ideas from political communication approaches, there are distinct differences between political and economic behavior. While political behavior is largely regulated to voting and episodic political discussion, individuals make economic and financial decisions on a daily basis, so it stands to reason that economic communication processes differ in important ways from the political communication processes. These differences justify the need for considering economic communication as a distinct and novel phenomenon.

2.1. Defining economic communication

We define economic communication as a process distinct from—but similar to—political communication: Economic communication is the purposeful exchange of financial and economic ideas and messages by citizens, media, lawmakers and economic professionals intended to shape national, local, or personal finances. This follows a popular definition used by political communication scholars, who delineate political communication as "the process by which a nation's leadership, media, and citizenry, exchange and confer meaning upon messages that relate to the conduct of public policy," (Perloff, 1998). Our investigation of media use and interpersonal interactions associated with investments and the overall health of the economy can be seen as separate but related to political communication, both of which reside in broader realm of communication studies.

The role of communication is an increasingly integral component of the overall personal financial process as individuals are increasingly given more autonomy in their own investing and retirement planning. As our own survey results demonstrate, American investors are relying less on Social Security as a sufficient means of retirement income. Only 17.9% of respondents in our national poll of investors reported that they are completely or heavily relying on Social Security to *help* fund their retirement. As Lupia et al. noted (2011), "Where past retirees looked to pensions or government for post-work income, future retirees have a riskier road ahead. Their long-term financial security will depend on their own and others' investment decisions. These decisions, in turn, will depend on how people interpret financial information," (p. 2). There is an increasing need for good, reliable economic information—especially among those contemplating and/or nearing retirement and the associated financial challenges.

In addition to those nearing retirement, economic news may be more appealing to those who are more motivated to obtain helpful economic or investment information. With this in mind, we argue below that channel complementarity theory—because it specifies different communication behaviors for those who are most involved with a topic or issue (Himelboim, Hansen, & Bowser, 2013; Ruppel & Rains, 2012; Tian & Robinson, 2008; Weeks, Friedenberg, Southwell, & Slater, 2012)—is a perfect fit for examining the ways in which stock market investors seek out economic information from various communication sources.

2.2. Extending channel complementarity theory to economic communication

Channel complementarity theory (Dutta-Bergman, 2004a,b, 2005) arose as a response to previous research on media displacement or replacement (Dimmick et al., 2000; Kayany & Yelsma, 2000; Lazarsfeld, 1940; McCombs, 1972). While those in the media displacement camp saw media consumption as a zero-sum game, with new technologies as inevitably replacing older media channels in terms of the time consumers spent with different outlets (e.g., television viewing replacing time spent listening to radio programs), complementarity theory proposes that media consumers *with a vested interest in a particular topic* will instead use a collection of complementary communication channels when seeking out information (von Walter & Quiring, 2006). Dutta-Bergman (2004a) used the example of a sports fan who uses cable television (e.g., ESPN), the sports section of the newspaper, sports talk radio and websites devoted to sports news to obtain information of interest. Rather than displacing time spent with a different media channel, time spent with one source may in fact lead to an increase in time spent with another source. News gathered from various media outlets may also lead to interpersonal discussion with others. For those who are more interested in a topic—be it sports, finance, or health information—communication begets communication. Dutta-Bergman argues that, "Media types perhaps share complementary relationships when evaluated in the domain of specific content areas... Media complementarity theory articulat(es) a congruence between media types within content areas," (2004a, p. 43).

Rather than looking at overall media consumption, complementarity theory focuses instead on media habits related to a specific domain or topic. Health communication researchers have shown that those seeking health information rely on what they learn from their physicians, but they also seek out additional information via numerous media and interpersonal channels (Ruppel & Rains, 2012; Weeks et al., 2012). The theory has proven robust within the domain of health communication, where channel complementarity has been seen between traditional and new media (Dutta-Bergman, 2004a; Tian & Robinson, 2008) as well as mass media and interpersonal communication (Dutta-Bergman, 2004b, 2006; Tian & Robinson, 2008). Recent work also extends complementarity theory to political and social media domains (Himelboim et al., 2013).

While health and economic information may at first seem quite different, both are topics with highly personalized and important details and outcomes. In both cases, having insufficient or bad information can lead to personally detrimental outcomes. In other words, consumers of both health and economic communication are highly motivated to seek out specific information that fits as closely as possible with their own circumstances. Because our respondent sample is drawn from those who have invested money in the stock market—and therefore have a consigned interest in economic communication—we posit that greater media use in one domain (e.g., traditional media) will be associated with greater media use in other domains (e.g., new media, interpersonal discussion). We specifically hypothesize the following types of channel complementarity:

H1a. Within the realm of economic communication, traditional media use will complement new media use.

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