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The Role of Subjective Product and Brand Evaluations in the Stock Market:

Stock Investment Willingness beyond Expected Financial Returns

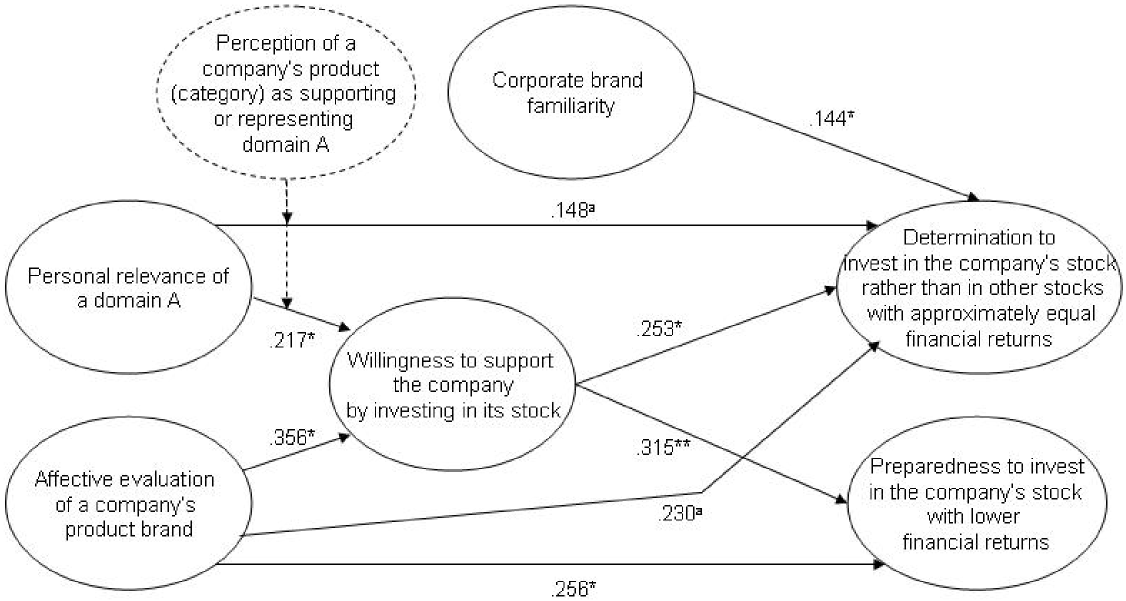
Jaakko ASPARA, Professor (acting)*

Henrikki TIKKANEN, Professor

*Email: jaakko.aspara@hse.fi

Abstract

This article examines the links between individual investors' subjective evaluations of certain companies' products and brands, on one hand, and their willingness and decisions to invest in those companies' stocks, on the other. We fundamentally question the traditional assumption that investors would make stock investment decisions purely on the basis of expected financial returns and risks. We analyze survey data collected from 293 individuals investing in the stock market of a European country, and find that in the clear majority of the individual stock investment decisions, some willingness to invest in a chosen stock beyond its expected financial returns/risk is evident. With PLS structural path modeling, we find evidence of two determinants eliciting willingness to invest in a company's stock beyond its financial returns: (1) the personal relevance that an individual attaches to areas, activities, and ideas of interest supported or represented by the company's product category and (2) the individual's affective evaluation of the company's product brand. These two determinants affect willingness to invest in the company's stock beyond its financial returns in two specific ways. First, they have positive effect on the individual's (a) determination to invest in the company's stock rather than others that have approximately similar expected financial returns/risks. Second, they elicit (b) preparedness to invest in the company's stock with somewhat lower financial returns expected from the stock than from others, at a given risk level. Our findings provide fundamental insights that can serve segmentation, targeting, and positioning when it comes to marketing a company in the financial market to attract investors. The findings also pave the way for novel "hybrid" strategies of targeting certain segments of individuals both as potential customers and potential investors.



[a] $p < .10$
*$p < .05$
**$p < .01$
Note 1. Significant path coefficients are noted in the Figure.
Note 2. There were additionally several company-dummy control and moderator variables that were found to have significant effects.

Figure 2

Results: Simplified structural model of the impacts of product evaluations on an individual's willingness to invest in a company's stock, beyond its expected financial returns/risk