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Journal of Behavioral Finance
Publication details, including instructions for authors and subscription information:
http://www.informaworld.com/smpp/title~content=t775648092

The Role of Company Affect in Stock Investments: Towards Blind, Undemanding, Noncomparative and Committed Love

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Online publication date: 02 June 2010

To cite this Article Aspara, Jaakko and Tikkanen, Henrikki(2010) 'The Role of Company Affect in Stock Investments: Towards Blind, Undemanding, Noncomparative and Committed Love', Journal of Behavioral Finance, 11: 2, 103 — 113
To link to this Article: DOI: 10.1080/15427560.2010.482880
URL: http://dx.doi.org/10.1080/15427560.2010.482880

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THE JOURNAL OF BEHAVIORAL FINANCE, 11: 103–113, 2010
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ISSN: 1542-7560 print / 1542-7579 online
DOI: 10.1080/15427560.2010.482880

Routledge
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The Role of Company Affect in Stock Investments: Towards Blind, Undemanding, Noncomparative and Committed Love

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This conceptual article aims to increase our understanding of the influence that individuals' affective evaluations of companies have on their decisions to invest in companies' stocks. Based on various psychological literatures, the authors explicate five different ways in which an individual investor's positive affect toward a company may influence his decisions to buy/hold the company's stock. These include a positive influence that company affect has on optimism and overconfidence about the financial returns expected from the company's stock, as well as a negative influence on the required financial returns from the stock. The authors illustrate the influences with "love" metaphors.

Keywords: Investor psychology, Individual investor, Affect, Love, Consumers, Stakeholders

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INTRODUCTION

Following the work of Slovic and others (e.g., Slovic, Finucane, Peters, and MacGregor [2002a, 2002b, 2007], MacGregor, Slovic, Dreman, and Berry [2000]), researchers in behavioral finance have been increasingly interested in the roles that psychological affect plays in people's investment decisions. For instance, Statman, Fisher, and Anginer [2008] recently reported that their study subjects perceived stocks associated with high positive affect as having, paradoxically enough, both high expected returns and low risk.

On the other hand, in another stream of research, one located in the interface between finance and marketing, there has been growing interest in how individuals' evaluations of companies' brands and corporate images, in particular, influence their willingness to invest in those companies' stocks (Frieder and Subrahmanyam [2005], Schoenbachler, Gordon, and Aurand [2004], Aspara and Tikkanen [2008b, 2010], Aspara, Nyman, and Tikkanen [2008, 2009]). Aspara and Tikkanen [2008], for example, suggest that a consumer's positive attitude to a company's product or brand has positive effect on his/her attitude to the company itself, which in turn will positively influence the consumer's tendency to invest in the company's stock.

However, despite the growing research interest within these two research streams, there have so far been no integrative examinations that would provide a systematic view to the various ways in which an individual's *affect towards a company* influences his/her decisions to buy and hold the company's stock. Consequently, the purpose of this conceptual article is to theoretically identify and explicate the most important ways of such influence. We do this by integrating and further building on piecemeal theoretical suggestions and empirical findings that appear in earlier research. Theoretically, our propositions build on the aforementioned work by Slovic et al. on the fundamental role of affect in investments but also on theories on affective company identification (Aspara et al. [2008], Bhattacharya and Sen [2003], Scott and Lane [2000]), on people's desire to possess things for which they have special affection (e.g., Danet and Katriel [1989], Pearce [1994]), and on possession attachments (e.g., Ball and Tasaki [1992], Belk [1984, 1988]). The arguments are also supported by remarks from standard economics and finance, ranging from Keynes [1936] to Statman [2004] and Fama and French [2007].

Specifically, we identify five ways in which an individual's positive affect toward a company may influence his/her decisions to buy/hold stocks. The first two ways of influence stem from the dominant notion in economic and finance

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theory according to which investors are seen to be guided by financial considerations and to select investments, including stocks, primarily based on their expected returns and perceived risks (Clark-Murphy and Soutar [2004], Peirson, Brown, Easton, and Howard [2005]). We begin by discussing how an individual's positive affect toward a company may contribute (1) when an individual forms expectations of the financial returns from a company's stock and (2) when an individual perceives the risk related to the expected financial returns from a company's stock. We then turn to identifying ways in which an individual's positive affect toward a company may influence his/her decisions to buy/hold stocks beyond the formation of expectations of financial returns and perceptions of risks. The first additional way of influence concerns (3) an individual's judgment about the financial returns from a company's stock which he/she is satisfied with or requires. The second additional way of influence concerns (4) the level of consideration the individual gives to alternative investments or consumption targets. The third additional way of influence concerns (5) an individual's decisions to hold the stocks of particular companies and not to sell them.

With respect to the each of the five ways in which an individual's positive affect toward a company may influence his/her decisions to buy/hold stocks, we make suggestions concerning the specific influences which an individual's positive affect toward a company has, offering propositions about how different levels (low, high) of positive affect may manifest. To illustrate the potential influences and the kind of conditions that are potentially approached when an individual's affect toward a company is reaching very high levels, we make use of five "love" metaphors: "blind/optimistic love," "blind/confident love," "undemanding love," "noncomparative love," and "committed love."

The coherent set of propositions presented is essentially meant to set a research agenda for future empirical examinations in the area. We also discuss the implications of the propositions for the interface of marketing and finance. Namely, whereas a natural subject of interest for finance is how individuals (investors) are attracted to invest in a company's stock and how the demand for the stock is formed, understanding how individuals' affect toward companies is created is a somewhat natural subject for marketing.

AFFECTIVE EVALUATION OF A COMPANY — EXPECTED FINANCIAL RETURNS AND PERCEIVED RISKS

As Clark-Murphy and Soutar [2004] have noted, in most finance theory investors are seen to be guided by financial considerations and to select investments, including stocks, primarily on their expected returns and perceived risks compared to other potential investments. Therefore, we begin by discussing how an individual's affect toward a company may contribute (1) when an individual forms expectations of the financial returns of a company's stock and (2) when an individual perceives the risk related to the expected financial returns of a company's stock.

Expected Financial Returns

According to Zajonc [1980], all perceptions contain some affect. Affect can be considered to mean the specific quality of "goodness" or "badness" experienced as a feeling state (with or without consciousness) and demarcating a positive or negative quality of an object (Slovic et al. [2002b]). Affective evaluations can be considered to vary along a bipolar dimension of positive versus negative impressions, such as good versus bad and attractive versus unattractive. Specifically, MacGregor et al. [2000] have further suggested that affect can be considered as a quality assigned to an object and that a company or an investment opportunity can be such an object.

Thus, representations of objects in people's minds are tagged to varying degrees with affect (Slovic et al. [2002a, 2002b]). Furthermore, images, marked by positive and negative affective feelings, guide human judgments and information processing (Damasio [1994], Slovic et al. [2002a, 2002b], Zajonc [1980]). Because they are fundamental component of human information processing, affective evaluations can contribute significantly to various judgments about a particular object.

Indeed, concerning industry groups, MacGregor et al. [2000] found individuals' judgments of the financial performance of industries to be strongly related to affective (nonfinancial) evaluations of them. Although MacGregor et al.'s findings focused primarily on affective evaluations of industry sectors and expectations of their financial performance, they also suggested that a company with highly positive affective evaluation is likely to be seen as good in terms of specific attributes such as prospects for long-term financial success. Thus, a company image marked, in an individual's mind, by positive affective feelings of goodness and attractiveness may inflate, to some extent, his/her expectations of the financial returns from the company's stock. This suggestion can be further viewed in the light of the finance notion of (over)optimism.

Finance researchers sometimes loosely refer to optimism or overoptimism in investors' expectations of the financial returns from investments, such as companies' stocks (Wärneryd [2001]). Overoptimism can be seen to inflate the expected financial returns relative to the financial returns that should be expected with more rational calculation, based on accurate information concerning factors "fundamentally" affecting the returns. Relatedly, already Keynes (1936) discussed the unreasonable optimism that people often have in their new investments in firms and referred to "our

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rational selves choosing between the alternatives as best we are able, calculating where we can, but often falling back for our motive on whim or sentiment or chance" (p. 163).

Relating the notion of optimism to the discussion of affective evaluations, we suggest that a company image marked by positive affective feeling in an individual's mind has positive influence on overoptimism in his/her expectations of the financial returns of the company's stock. Lower levels of positive affect may not manifest in any significant overoptimism, and the individual may form expectations quite rationally. Concerning higher levels of positive affect, however, we propose:

Proposition #1: A strong positive affect which an individual has towards a company manifests in overoptimism in his/her expectations of the financial returns of the company's stock.

Interestingly, an extreme condition can be pictured in which an individual has, due to his/her very strong positive affect toward a company, significant overoptimism in his/her expectations of the financial returns of the company's stock and, consequently, rushes to invest in the stock. Since very strong feelings of affect are commonly associated with love, we refer to this condition with the metaphor of "blind/optimistic love." After all, for example, in Shakespeare's [1914] *The Merchant of Venice*, Jessica notes: "Love is blind and lovers cannot see the pretty follies that themselves commit." Related to the adage "love is blind," individuals have, in turn, been found to be overoptimistic about the future of relationships with persons they love, idealizing them with virtues and being blind to their faults (Murray, Holmes, and Griffin [1996], Murray and Holmes [1997]). Notably, Branzei and Zietsma [2003] have also applied this notion to entrepreneurs' love for their venture investments. The "blind/optimistic love" condition, as well as proposition 1, are illustrated in Figure 1.

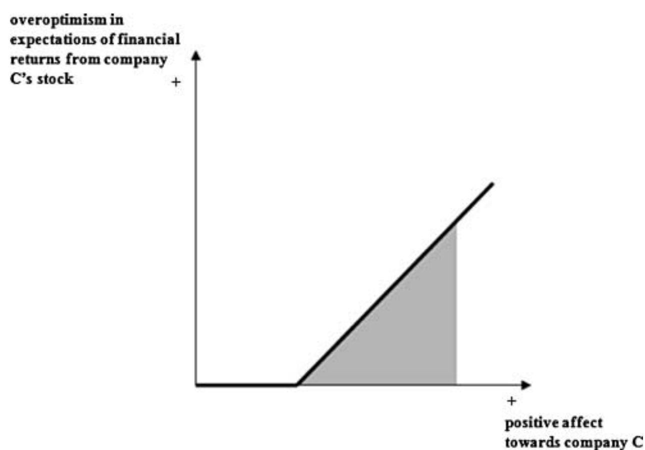

FIGURE 1 Influence of an individual's positive affect toward a company on overoptimism in his/her expectations of financial returns of the company's stock: toward blind/optimistic love.

Perceived Risk

Whereas finance theory tends to view returns and risk as positively correlated, people usually judge them in their minds as being negatively correlated (Slovic, Finucane, Peters, and MacGregor [2004]). That is, people's perceptions of the risks related to the expected financial returns from the stocks of companies are based not only on what they rationally think about the companies but also how they feel about them. If their feelings about a company are favorable, they are inclined to perceive the risks as low and returns as high; if their feelings toward it are unfavorable, they tend to judge the opposite. Affect will hence come prior to, and direct, judgments of risk and return, much as Zajonc [1980] proposed, that is, the general affective view of a company will guide perceptions of risk and return. Indeed, Ganzach [2001] found that even professional analysts based their judgments of risk and return for stocks of unfamiliar companies upon a global attitude toward them. In a similar vein, Statman, Fisher, and Anginer [2008] recently found that individual clients of an investment firm assessed stocks with positive affect to be high in future returns and low in risk.

A concept closely related to risk in finance research is that of (over)confidence (see. e.g., Daniel, Hirshleifer, and Subrahmanyam [2001], Wärneryd [2001]) when referring to the confidence individuals have in their expectations of financial returns of, for example, stocks. Higher confidence can be considered to be related to lower perceived risk. Moreover, overconfident investors are often seen to perceive less risk related to financial returns relative to what could be expected with more rational calculation based on objective information. Again, already Keynes [1936] argued that investments are determined by profit forecasts and the state or degree of confidence with which the forecasts are made "on how highly we rate the likelihood of our best forecast turning out quite wrong" (p. 148).

Relating the notion of overconfidence to the above discussion of affective evaluations, we suggest that an individual's positive affect toward a company has positive influence on overconfidence in his/her expectations of the financial returns of its stock and underestimation of the related risk. Lower levels of positive affect may not manifest in any significant overconfidence and the risk perceptions may be quite rational. But, again, concerning higher levels of positive affect, we propose:

Proposition #2: A strong positive affect which an individual has toward a company manifests in overconfidence in his/her expectations of the financial returns of the company's stock and underestimation of the related risk.

An extreme condition can, again, be pictured in which an individual considerably underestimates, due to his/her strong positive affect toward a company, the risks related to the financial returns from the company's stock and rushes to invest in it. We refer to this condition with the metaphor of "blind/confident love." Indeed, but to optimism, the adage

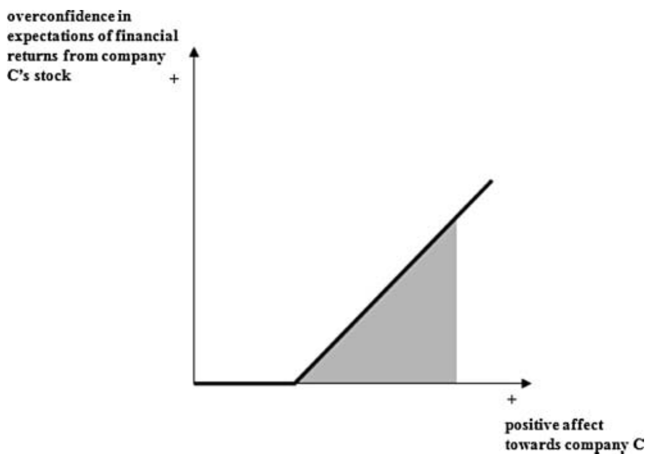

FIGURE 2 Influence of an individual's positive affect toward a company on overconfidence in his/her expectations of financial returns of the company's stock: toward blind/confident love.

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"love is blind" has been related also to distorted confidence, or risk perceptions of entrepreneurs, for example, since an individual tends to be blind to faults of the beloved (Branzei and Zietsma [2003]). An individual may even augment the positive illusions of a partner when threats to those illusions are experienced (Branzei and Zietsma [2003], Murray and Holmes [1997]). This "blind/confident love" condition, as well as proposition 2, are illustrated in Figure 2.

AFFECTIVE EVALUATION OF A COMPANY — BEYOND EXPECTED FINANCIAL RETURNS AND PERCEIVED RISKS

Above we have discussed how an individual's positive affect toward a company may positively influence his/her expectations of the financial returns of the company's stock and negatively influence the perceived risk related to the expectations — the two judgments on which, as mentioned, investment decisions are made according to the basic assumptions of most finance theory. We now turn to three other ways in which an individual's positive affect toward a company may influence his/her decisions to buy/hold the stock of a company beyond the formation of expectations of financial returns and perceptions of risks. The first additional way of influence concerns an individual's judgment about the financial returns from a company's stock which he/she is satisfied with or requires. The second additional way of influence concerns an individual's consideration of alternative investment opportunities and consumption targets. The third additional way of influence concerns an individual's decisions to hold the stocks of certain companies and not to sell them.

Required/Satisfactory Financial Returns

Most finance theory assumes, consistent with Capital Asset Pricing Model (Lintner [1965], Sharpe [1964]), that having formed expectations about the financial returns of investments, a rational investor, to invest a given amount of money into an asset, requires the asset to have a better profile of expected returns and perceived risk than other assets. As such, the assumption implies that if given a choice between stocks of two or more companies with equal return-risk profiles, an individual investor would be unable to make a decision between them. On the other hand, the assumption implies that given a choice between two or more equally risky stocks, an individual would always prefer and choose to put his/her money into the one with highest expected returns.

As mentioned, the earlier work on the role of affect in investments (e.g., MacGregor et al. [2000], Slovic et al. [2007], Statman, Fisher, and Anginer [2008]) has suggested that the images and related affective evaluations which individuals have of companies may be a major basis on which they make investment decisions. Yet this work has mostly focused on the influence of affective evaluations on expectations of financial performance. In contrast, we now move to consider the influence of affect beyond the influence on expectations of financial returns and perceived risks. This is consistent with Fisher and Statman's [1997] argument that it is no more reasonable to expect individuals to be concerned only about risk and return when constructing an investment portfolio than it is to expect them to be concerned only about cost and nutrition when deciding what to eat.

First of all, it is likely that given a choice between stocks of two or more companies with approximately equal risk-return profiles, one chooses the stock of the company which he/she has most positive affect toward, finding it most attractive and liking it most overall. Namely, images, marked by positive and negative affective feelings, guide judgments and decision making (Damasio [1994], Slovic et al. [2002a, 2002b], Zajonc [1980]), particularly when accurately judging the pros and cons of various alternatives is difficult due to their inherent complexity or complexity of information about them (see Zajonc [1980]). The investment context is a case in point: companies, their stocks, and pieces of related information are highly complex when it comes to making financial returns/risk forecasts concerning the stocks (Statman, Fisher, and Anginer [2008]). Specifically, lacking information about future and being unable to rationally form expectations of the financial returns with certainty, one is able to make only rough approximations of the return-risk profiles of stocks and may just prefer and buy the stocks of the company one "likes" over others expected to have fairly similar risk-return profiles. This would be a somewhat clear instance of using a mental short-cut of "affect heuristic" (Finucane et al. [2000], Slovic et al. [2002a, 2002b, 2007]). That is, using an overall, readily available affective impression as a mental shortcut can be far easier and efficient than weighting the pros and

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cons, especially when the required judgment or decision is complex and/or mental resources are limited. Thus, we propose:

Proposition #3: Already a slight positive affect which an individual has toward a company manifests in his/her preference to invest in the company's stock over other stocks or investment opportunities which the individual expects to have approximately similar return-risk profiles but towards which he/she does not have or has less positive affect.

Furthermore, an individual's positive affect towards a company may actually have negative influence on the financial returns from its stock which the individual requires or is satisfied with at a given risk level so as to still invest in the stock. This notion receives support from various sources, especially with respect to higher levels of positive affect. An individual's strong feelings of affect toward and liking for something, for example, a company, are often associated with his/her identification with it (Ahuvia [2005]). An individual identifying with a company, in turn, will give preferential and supportive treatment to the company, actively seek to increase its welfare and/or cooperatively give more of his/her scarce resources to it (Aspara et al. [2008], Scott and Lane [2000], Bhattacharya and Sen [2003]), potentially through investing in its stocks.

Having a special affect toward something may even lead to actual desire to possess it, as suggested by social psychologists and sociologists studying people's fondness of personal collections. Specifically, it has been shown that people often have the need and motivation to own and surround themselves with objects toward which they have special affect (Danet and Katriel [1989], Pearce [1994]). Collection researchers also explicitly note the close relationship between one's affection for an object on one hand and the will to possess the object on the other (Danet and Katriel [1989], Tuan [1984]). We extend this theory to a company as a potential object to be "collected" or possessed through owning the stock of the company. Thus, it may be that having a stronger affect toward a company results in outright desire to possess the company, through investing in and owning the company's stock.

In the light of the above discussion implying that a desire to possess part of a company may arise from strong affect toward it, we suggest that an individual's positive affect toward a company negatively influences the financial returns from the ownership of its stock which the individual *requires* or *is satisfied with* at a given risk level, so as to still invest in the stock. This is consistent with the suggestion that an individual's images of and feelings about company may be linked to psychic return and emotional and experiential utility he/she may obtain, in addition to the financial returns, from owning the stock of the company (see Aspara and Tikkanen [2008b], Beal, Goyen, and Phillips [2005], Cullis, Lewis, and Winnett [1992], Fama and French [2007], Statman [2004]). Particularly, we propose, concerning high levels of positive affect:

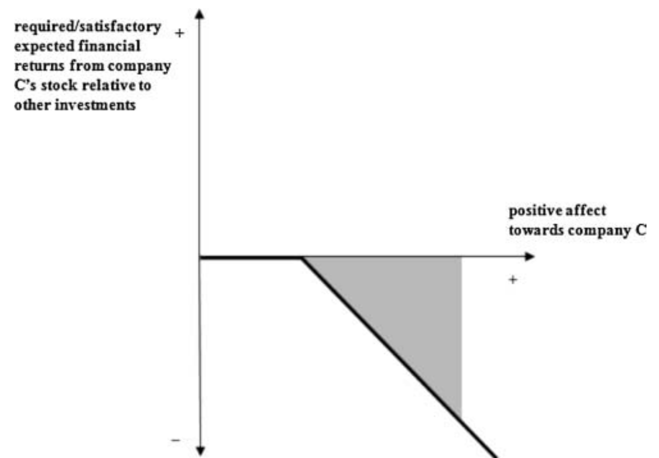

FIGURE 3 Influence of an individual's positive affect toward a company on financial returns from the company's stock which the individual requires or is satisfied with: toward undemanding love.

Proposition #4: A strong positive affect which an individual has toward a company manifests in his/her predisposition to invest in the stocks of the company even if he/she expects lower financial returns at a given risk level from the stocks than from other stocks and investment opportunities.

An extreme condition can be hypothesized in which individual invests in a company's stock, due to his/her very strong affect toward the company, even if he/she expects considerably lower financial returns at a given risk level from the company's stock than from other investment opportunities. Due to the lower financial returns an individual requires and is satisfied with, we refer to this condition with the metaphor of "undemanding love." Unselfish and undemanding aspects of love are hallmark of virtually every one of the world's great spiritual traditions and is practiced by people from all walks of life. Undemanding nature is also viewed by Maslow [1968] as one characteristic of "being-love." This "undemanding love" condition, as well as proposition 4, are illustrated in Figure 3.

Level of Investment Considerations

Most finance theory assumes there is an existing and stable species and population of "investors" actively trading in stock market (Wärneryd [2001, p. 5]). Accordingly, there is little explicit discussion of a certain individual's decisions to put his/her money in certain companies' stocks or other investment opportunities versus putting it somewhere else. We particularly contend that an individual does not have, every now and then, a particular sum of earmarked money to be invested in certain alternative stocks or other investment opportunities, but rather an individual continuously makes decisions about how much money to put into different targets. These may include stocks and other targets traditionally considered "investment opportunities" but also what is traditionally considered as consumption and consumption objects.

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In other words, the stocks of a company to which an individual potentially ends up putting his/her money may compete as targets of the money with all possible investment opportunities and all possible consumption objects in the world — generally, with everything where money can be put.

As implied earlier, the ownership of stocks of a company can be viewed, in some measure, as consumption from which emotional utility can be obtained in the present, not only as investment and as deferred consumption (see Aspara and Tikkanen [2008b], Fama and French [2007], Statman [2004]). The suggestion that an individual's feelings about a company may be related to emotional utility he/she may obtain, in the present, from owning the stock of the company means that ownership of stocks of a company toward which an individual has affect is, to some extent, consumption in the present to the individual, not only investment for the future. Thus, the individual may buy the stocks of a company which he/she has positive affect toward, as object of consumption, to varying degrees because of the emotional utility he/she may get. On the other hand, the individual may consider other stocks and investment opportunities to varying degrees when making a decision to buy or not to buy the stock of the company which he/she has affect toward. In an extreme situation, it may occur to an individual not to consider other stocks or investment opportunities at all and just invest in the stocks of the company toward which he/she has strong affect.

Moreover, due to the potential emotional utility from ownership of the stock of a company toward which an individual has positive affect, he/she may come to consider buying the stocks more often than he/she would, if there was not for the company (or the affect), consider investing in some stocks in general or in other investment targets. In other words, situations may emerge where the individual puts his/her money into the stock of a company toward which he/she has affect even if he/she does not much consider putting his/her money into any other stock or investment opportunity — the money is rather away from other consumption.

All in all, we suggest that an individual's positive affect toward a company has negative influence on the consideration he/she gives to other stocks or investment opportunities when considering to put his/her money in the company's stock. Lower levels of positive affect may not manifest in any significant way and the individual may not consider the stock of a company but as one alternative among innumerable others when considering putting money into stocks or other investment opportunities. In contrast, concerning higher levels of positive affect, we propose:

Proposition #5: A strong positive affect which an individual has toward a company manifests in his/her predisposition to invest money in the stock of the company with decreasing consideration given to other stocks or investment opportunities.

An extreme condition can be hypothesized here in which an individual puts money into a company's stock due to his/her very strong positive affect toward the company by not considering or comparing it as investment among other possible investment opportunities at all. As the individual will not compare the company's stock to other stocks or investment opportunities but simply buys the stocks because he/she very strong positive affect toward the company, we refer to this condition with the metaphor of "noncomparative love." After all, for instance, in Christianity, one characteristic of an ideal love is that it finds its reasons in the noncomparative appreciation of an object (Adams [1999]). This noncomparative love condition and proposition 5 are illustrated in Figure 4.

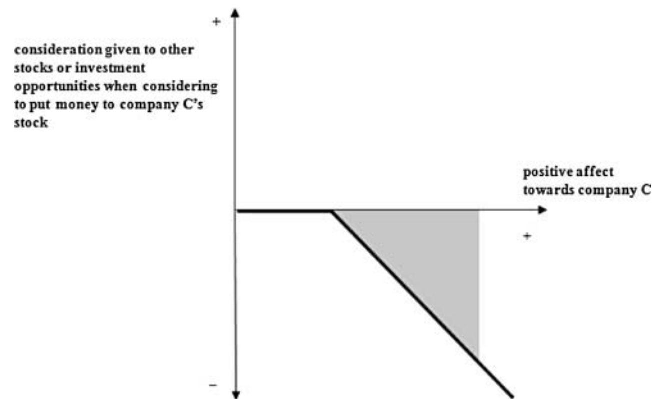

FIGURE 4 Influence of an individual's positive affect a company on consideration given to other stocks or investment opportunities: toward noncomparative love.

Holding Stocks

Finally, much of the discussion about investing in financial markets presupposes that people are active traders and diversify their investments to different opportunities to optimize the risk-return profile of the total investments by making continual adjustments to their portfolios (Wärneryd [2001]). However, it has been found that a typical stock owner hardly corresponds to this portrait of a rational investor: the typical investor does not diversify, shows low spread of assets, holds on to the assets for long periods of time, and rarely sells his/her holdings (Müller-Peters [1999], Wärneryd [2001]).

An individual is likely to be particularly unwilling to sell the stocks of a company which he/she has positive affect toward. Research on (emotional) attachments suggests that an individual who has special feelings of affect, liking, and love toward a possession and incorporates it into his/her self-definition may feel considerable anxiety and self-loss if he/she has to consider disposing or giving up on the possession (e.g., Ball and Tasaki [1992], Belk [1984, 1988]). This implies that an individual's positive affect toward a company has positive influence on his/her *un*willingness to give up on the ownership of the company and sell its stock. Already at lower levels of positive affect, this is likely to contribute, analogously to the stock-buying consideration of proposition 3, at least to a decision to sell a stock an individual owns and which he/she expects to have fairly similar

risk-return profiles. Considering that an individual is likely to prefer to hold, out of two stocks, the one which he/she is more unwilling to sell, we propose:

Proposition #6: Already a slight positive affect which an individual has toward a company manifests in his/her preference to hold the stocks of the company over holding his/her other stocks or investments which the individual expects to have approximately similar return-risk profiles but toward which he/she does not have or has less positive affect.

Moreover, since the work on possessions (e.g., Ball and Tasaki [1992], Belk [1984, 1988]) refers to anxiety and self-loss resulting particularly from giving up on possessions to which an individual strong feelings of affect as opposed to slight positive affect, the influence of affect may be emphasized at higher levels of positive affect toward a company. Analogously to the stock-buying consideration of proposition 4, an individual's unwillingness to sell the stock of a company which he/she has strong positive affect toward may negatively influence the financial returns from its stock which the individual requires or is satisfied with at a given risk level so as to still hold on to the stock. We propose:

Proposition #7: A strong positive affect which an individual has toward a company manifests in his/her predisposition to hold the stocks of the company even if he/she expects lower financial returns at a given risk level from the stocks than from other stocks and investment opportunities.

Again, an extreme condition can be hypothesized in which individual holds a company's stock due to his/her very strong positive affect toward the company, even if he/she expects considerably lower financial returns at a given risk level from the ownership of the company's stock than from other investment opportunities. We refer to this condition with a metaphor of "committed love." Commitment as a component of love is suggested, for instance, in Sternberg's [1986] triangular theory of love. Aside with intimacy and passion, commitment is seen to refer to the expectation that the relationship to the beloved is going to last forever. This "committed love" condition, as well as propositions 7, are illustrated in Figure 5.

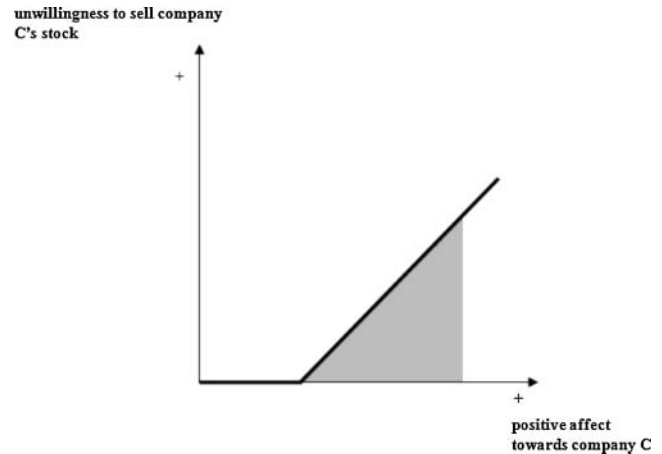

FIGURE 5 Influence of an individual's positive affect toward a company on his/her unwillingness to sell the company's stock: toward committed love.

DISCUSSION

Contributions to Research

This conceptual article contributes to several research streams. Already with its general focus on individual-level psychological factors influencing people's stock buying behavior, our research deals with an underresearched area (see Wärneryd [2001]) and adds to a growing literature (e.g., Clark-Murphy and Soutar [2004, 2005], Fisher and Statman [1997], MacGregor et al. [2000], Nagy and Obenberger [1994]). The theoretical contribution to this broad literature and, especially, to the specific literature (e.g., Frieder and Subrahmanyam [2005], Schoenbachler, Gordon, and Aurand [2004], Statman, Fisher, and Anginer [2008], Aspara [2009a, 2009c], Aspara and Tikkanen [2008b, 2010], Aspara, Nyman, and Tikkanen [2008, 2009]) concentrating on the role of individuals' *affects toward companies,* lies in explicating five different ways in which an individual's positive affect toward a company may influence his/her decisions to buy/hold the stocks of the companies.

We argued that an individual's positive affect toward a company may have (1) positive influence on overoptimism in his/her expectations of the financial returns of the company's stock, as well as (2) on overconfidence in his/her expectations of financial returns of its stock and underestimation of the related risk. Furthermore, beyond the formation of expectations of financial returns and risk perceptions, we argued that an individual's positive affect toward a company may have (3) negative influence on the financial returns from its stock which the individual requires or is satisfied with at a given risk level (so as to still invest in the stock); (4) negative influence on the consideration he/she gives to other stocks or investment opportunities when considering to invest in the company's stock; and (5) positive influence on his/her unwillingness to give up on the ownership of the company and sell its stock. As a theoretical implication, it should be noted that the increased willingness to invest in a company due to affect toward it has positive influence on the demand for the company's stock (1–4), as well as negative influence on the supply of its stock in secondary market (5). Consequently, there should be a positive effect on the market price of the stock at the aggregate level (Statman, Fisher, and Anginer [2008]). In any case, further research should explore these influences and validate our propositions empirically.

By emphasizing the important role of affect and the related feelings of liking and love on individuals' (consumption and investment) decisions, the research also adds to the growing research on feelings of affect, liking, and love as pertaining to people's consumption and buying behavior (e.g., Ahuvia [2005], Aspara et al. [2008], Richins [1997], Schultz, Kleine,

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and Kernan [1989]). The contribution of our research is in extending beyond behavior related to products and brands by explicating how affect may influence individuals' investment behavior as well. We illustrated this with our metaphors of blind/optimistic, blind/confident, undemanding, noncomparative, and committed love. Moreover, particularly the propositions which suggest that an individual's affect influences his/her stock-buying/holding decisions also beyond the expected financial returns/risks add to the research implying that emotional or experiential utility may be obtained from ownership of a company's stock (Beal et al. [2005], Cullis et al. [1992], Fama and French [2007], Statman [2004]), making the ownership not only an investment for future, deferred utility but also consumption in the present.

Managerial Implications

Focusing on Affect Toward Company and its Sources

On a general level, our propositions concerning the ways in which individuals' affect toward companies may influence their decisions to buy/hold the companies' stocks have significant implications, both theoretical and practical, for the interface of marketing and finance. Indeed, from the finance perspective, the implied increased demand for a company's stock can leverage the market price of the stock up and facilitate the company's capital acquisition and ability to realize mergers and acquisitions or an initial public offering (IPO) with favorable terms. Marketing researchers and practitioners, in turn, have the conceptual and practical tools to deal with the creation and utilization of individuals' affect toward the company. For instance, discussion of corporate branding and related concepts such as corporate image, corporate personality, and corporate reputation involve the idea of managing the perceptions and feelings which different stakeholders, including investors, have about a company (e.g., Aspara and Tikkanen [2008a], Balmer and Gray [2003], Brown, Dacin, Pratt, and Whetten [2006], Dowling [2004], Hatch and Schultz [2003], Melewar and Karaosmanoglu [2006]).

Moreover, individuals, or consumers' affect-laden relationships and attachments to brands have been discussed in marketing research (e.g., Edson Escalas and Bettman [2000, 2003], Fournier [1998], Thomson, MacInnis, and Park [2005]). Since companies can be considered to be represented as corporate brands in individuals' minds, the discussion of brand relationships and attachments can inform finance about how individuals' feelings and affect toward companies may be created. Research on consumer-company identification and stakeholder identification (Ahearne, Bhattacharya, and Gruen [2005], Bhattacharya and Sen [2003], Cardador and Pratt [2006], Fournier [1998], Pratt [1998], Scott and Lane [2000]), for example, may prove beneficial in that sense. That research suggests that much of a person's affect for a company is likely to stem from his/her affect toward the company's products and brands, employees and top managers, and communications and advertising, as well as the perceived sponsorship and support by the company for things which the individual likes and considers important (Aspara et al. [2008], see also Bhattacharya and Sen [2003]). These potential sources of individuals' affect toward companies imply that the means of traditional marketing of products and brands, including their development, design, and promotion as well as favorable representation of the company through corporate communications, sponsorships, and public relations are important also in the sense of "marketing" the company and its stocks in financial markets.

Benefiting from What People Already Feel About the Company — Marketing the Stock

Companies willing to leverage their stock price up or facilitate capital acquisition may also attempt to benefit from what people, especially those representing consumers and customers, *already* feel about the company. Especially, among individuals representing users or buyers of the company's products or brands, there are likely to be many who have special affect toward the very products and brands (and/or toward the company's advertising or other communications or its service staff). Due to their readily installed affect toward the company, it may be beneficial to pursue these individuals with the aim of promoting them the opportunity to purchase the company's stocks. In some cases, all that is needed for an individual to start considering the purchase of a company's stock may be that he/she is made more aware of the company behind the very products or brands which he/she likes — and presented with the opportunity of purchasing stocks of this company.

Moreover, taking into account that an individual may have special affect toward companies whose product categories he/she perceives to represent or support things which he/she likes and considers important in his/her life (Aspara et al. [2008]), it may be beneficial for a company to take advantage of such perceptions. This is actually already done by many companies that promote themselves as developing socially responsible products to investors who consider social responsibility important (e.g., Schueth [2003], Sparkes [2001]). Other examples include a company producing winter sports equipment that may pursue individuals who like winter sports, present itself to these potential customers as committed to developing winter sports equipment, and promote the opportunity to purchase the company's stocks (Aspara [2009a, 2009c, 2010]).

It is important to note that even if the proportion of individuals with a relevant — from the company perspective — liking for or affect toward a certain thing, such as winter sports, may not be very high in the population and a part of those individuals are likely to be interested in stock purchases, pursuing these individuals may still be worthwhile. Namely, globalization and advances in information and security trading technologies are making it increasingly

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feasible for companies to promote themselves to individuals around the world and for individuals around the world to buy and own the stocks of companies registered in countries other than their home country. For instance, a biotechnology company developing a cure for a rare cancer might seek individuals who consider the fight against that cancer important around the world with the aim of promoting them the opportunity to invest in the company's stock. In the future, creating demand for a company's stock this way might be an increasingly feasible opportunity particularly for companies in short of capital. On the other hand, also for companies not in short of capital but interested in increasing the demand for the company's stock to reinforce the market capitalization in the secondary market, pursuing the relevant individuals is an increasingly feasible opportunity.

Limitations and Further Research

The first limitation to note is that the propositions presented in this article are, albeit grounded in theory and to some extent backed with earlier empirical findings, somewhat exploratory in nature. Thus, our propositions are essentially meant to outline the research avenues for future empirical examinations in the area. Also, we do not argue that our arguments about the role of affect in stock investments would explain *all* or even most of individuals' investment behavior. We still maintain that people make investments in companies' stocks mostly based on having somewhat rationally and carefully analyzed the likely financial yields of a variety of stocks. We also maintain they then select to invest in some of these stocks to the best of their knowledge due to the selected stocks' fairly optimal return-risk profiles to earn money and satisfactory financial return on investment. Our arguments by no means question this, albeit suggesting that individuals' stock investments are to some extent influenced also by affect toward the companies.

Moreover, the use of the "love" metaphors is primarily aimed to serve creative thinking about the subject matter rather than be taken literally. For instance, the extent to which human affection or love for anything ever is "undemanding" might be questioned, even though strong affection may sometimes well elicit undemanding, altruistic acts. Furthermore, while we illustrated our propositions and the conditions of "blind/optimistic," "blind/confident," "undemanding," "noncomparative," and "committed" love with Figures 1–5, we depicted the relationships, for reasons of simplicity, as linear. However, in reality, the relationships are most likely nonlinear and may, in fact, approach s-shaped curves. Namely, the effects of an individual's positive affect toward a company may be weak at low levels of positive affect and disproportionately emphasized at higher levels. Later, at very high levels of positive affect, the marginal increase in the effects is likely to eventually level down. In any case, the shape of the influences should be examined, as well as our propositions tested, in further empirical research.

The testing of the propositions should be based on multiple companies, with methods ranging from laboratory experiments to field surveys. It is well possible to study the five identified ways of influence and test the related propositions separately. Extensive qualitative research, involving individual and focus group interviews, is a feasible first step. In both interviews and later surveys, it is reasonable to take samples among existing stockholders of particular companies and probe and ask them about the lived experiences related to and reasons for their purchases and ownership of the stocks of the particular companies. Indeed, given that, for example, "affect" and "liking" and decisions to buy and hold stocks are concepts and experiences which studied individuals are likely to be able to reflect and discuss concerning themselves, it may be feasible to have both qualitative and quantitative research first rely largely on respondents' own statements of the reasons for their stock purchases and ownership.

However, other kind of research designs involving the definition of (interval-scaled) measures for the different concepts of the propositions, gathering of data on the measures on different individuals and their ownership versus nonownership or willingness to buy/hold the stocks of different companies, and application of, for example, structural equation modeling should be developed later.

Another limitation of this research is that we did not discuss the effects of an individual's negative affective evaluations of a company on his/her decisions to buy/hold the company's stocks. It is possible that the influences of an individual's negative affective evaluations are simply inverse to those of positive affect. Nevertheless, this is not necessarily the case, and the hypotheses concerning the influences of an individual's negative affective evaluations should be further grounded on theory and empirically tested. Finally, our propositions are meant to hold particularly for consumers potentially engaging in nonprofessional investing in stocks as opposed to institutional investors or professional individual investors, since the former can readily be considered to be individuals and since their behavior as nonprofessionals has been suggested to deviate most from the rationality assumptions of traditional finance theory (e.g., Grinblatt and Keloharju [2000, 2001], Lee, Shleifer, and Thaler [1991], Odean [1998], Poteshman and Serbin [2003], Wärneryd [2001]). The psychology of individuals representing institutional investors as fund managers and professional individual investors might be investigated as a partly separate stream of research (see Aspara [2009b]).

ACKNOWLEDGMENT

The authors have received research grants from Jenny and Antti Wihuri Foundation, Marcus Wallenberg Foundation, and the Finnish Foundation for Share Promotion, to study contained in the article.

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