Affect, Affective Precision, and Primacy Effect in Stock Choices

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We investigated the role of affect in choices that involve numerical information. Our study showed that affect was generated within a local rather than global context and significantly predicted choices. Participants’ affect toward the best stock in each of two set were significantly higher than the other stocks in the set even though some of these other stocks were normatively better. In addition, choice reflected a strong primacy effect of the set. A new construct, affective precision (self-reported clarity of feelings) toward stock options significantly contributed to prediction of choices above and beyond affect and the primacy effect.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/12899/volumes/v34/NA-34

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Advances in Consumer Research (Volume 34) / 461


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Extended Abstract

The role of affect in everyday decisions has received an increasing amount of attention in recent literature. Esptein’s (1996) dual processes describe that we have analytical and experiential systems that are interrelated, and most of the time we use both of the systems to make decisions. Slovic et al. (2002) proposed the idea of the affect heuristic, which states that we often use affect as a shortcut to guide judgment and decision making processes. Zajonec (1980) claimed that all perception contains some affect, and it is capable of influencing the ensuing cognitive process to a significant degree.

However, until recently, numerical information was considered to be processed purely cognitively, therefore, free from affect. A few exceptions exist. Peters et al. (2006) demonstrated that affect can be calculated from numbers and used to guides decisions. Kida et al. (1998) also suggested that affect guides choices that involve numerical information. In their study, they presented two sets of stock information. When asked, about 80% of the participants chose the clearly better firm in the first set, although two firms from the second set were actually better. Combining this with other findings in their study, they concluded that participants chose the best firm in the first set because they did not remember the actual financial characteristics of stocks. Instead, they remembered having a higher affect toward that stock option, due to its clear superiority within its own set. An alternative explanation for this finding, however, is an order effect, specifically, participants may feel greater positive affect and choose the best options in a set presented first.

In our study, we investigated the role of affect in stock choice by replicating and extending Study 3 of Kida et al. (1998).

Hypotheses

H1a: The majority of participants will choose the best firm in Set A when the options are presented in the same order as those in Kida et al. (1998).
H1b: The majority of participants will not choose the best firm in Set A when the sets are presented in a reversed order as those in Kida et al. (1998).
H2: Participants have significantly higher positive affect toward the best choice in each set.
H3a: Affect toward stock choices will significantly predict choices independent of set order.
H3b: Affective precision toward stock choices and its interaction with affect will significantly contribute to the prediction of choices above and beyond affect and option order.

Method
We replicated the methodology used in Study 3 of Kida et al (1998). As in their study, each of two information sets (Set A and Set B) contained financial characteristics of five firms. The best firm in Set A was far better than the rest of the firms in its own set, and the best firm in Set B was not as clearly the best within its set. However, the best and second best firms in Set B were better than the best firm in Set A.

In our study, half of the participants were presented with Set A first, then Set B (a replication of Kida et al.); the other half of participants were presented with Set B first, then Set A. All participants were then asked to choose their most preferred stock from either set. They also rated their affect and affective precision towards each firm.

Results:
Hypotheses 1a and 1b were supported. Although the majority of participants (83%) chose the best stock in Set A when Set A was presented first, only 25% of participants chose the best stock in Set A when Set B was presented first; the remaining 72% chose the best from in Set B.

Hypothesis 2 was supported. Affect toward the best firms in each set was calculated by subtracting the mean of the raw affect ratings toward the rest of the firms from raw affect ratings toward the best firm. Affective precision was calculated in a similar manner. Participants had significantly higher positive affect and affective precision toward the best firms in Set A and Set B compared to affect toward the average of the rest of the firms.

Hypotheses 3a and 3b were also supported. Logistic regression indicated that affect and the order in which information sets were presented significantly predicted choices. Our new construct, affective precision, and its interaction with affect significantly contributed to the prediction of choices above and beyond the affect and primacy effects. These findings indicate that people developed higher affect and affective precision within the local context of each set and that they used their affect to guide their decisions.

Conclusion
Over the last couple of decades, research has demonstrated that decision makers use affect to guide decisions: to decide where to go to vacation or which car to buy. However, numerical information in decisions is still thought to be processed very cognitively. Results of our study demonstrated that people develop affect not only to events, persons, and material objects, but also to numbers. Decision makers appear to draw affective meaning from numbers and to use this affect to guide their decisions. They may be even more likely to rely on affect when information is unavailable at the moment of choice and they have to make decisions from memory. Our findings can also be applied to many other decisions that involve numerical information, such as prices, nutritional facts about food and drinks, and drug information.

Our study also suggests that people are very susceptible to primacy effects with numerical information. This may be because once people develop affect toward a particular option, they tend to stick with it. Therefore, they are not very open to other choices. Further investigations are needed for clearer explanations. Affect’s role in judgments and decisions that involve numerical information is ubiquitous in everyday decisions. Yet, not many studies have been done on this topic. It is important to understand how people rely on affect to make choices and decisions so that we can facilitate better choices and decisions among managers and consumers.

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The Role of Emotional Attachment in Consumers’ Responses to Service Changes
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Extended Abstract
Consumers are often faced with changes to services they consume; their ability to adapt to changes is moderated by their emotional attachment to the service. We explore the following research questions: (1) What is the relationship between a consumer’s emotional attachment and the level of human interaction the service provides? and (2) How does the level of emotional attachment to the service influence a consumer’s satisfaction, word of mouth, and repurchase intentions, in response to service changes?

For consumers, the “human interaction” element is an important service factor (Zeithaml and Bitner 2003). The level of human interaction consumers receive from services ranges from higher levels (e.g. financial advising) to lower levels (e.g. ATMs) (Schmenner
2004; Mersha 1990). Consumers develop strong emotional attachments to consumer packaged goods (Fournier 1998), as well as fulfill complex emotional needs through service consumption (Rosenbaum 2003). We propose:

H1: There is a positive relationship between the consumer’s perceived level of human interaction with the service provider and the consumer’s level of emotional attachment to the service.

Loss aversion and the status quo bias predict that consumers are reluctant to change and prefer the status quo (Samuelson and Zeckhauser 1988; Tversky and Kahneman 1991). We examine changes as gains (positive service changes) and losses (negative service changes).

In a service failure context, Mattila (2004) finds that high affective commitment consumers exhibit higher post-failure behavioral intention ratings than low affective commitment consumers. We propose a Favoritism Effect in which consumers with higher levels of emotional attachment (HEA consumers) have a positive bias toward service providers and would therefore rate the same services higher, after a gain, than low emotional attachment (LEA) consumers do.

In Mattila’s (2004) study, low affective commitment consumers are more “forgiving” with a successful recovery effort, while high affective commitment consumers feel “betrayed” from the failure. We propose that HEA consumers seek validation of their emotions through the reinforcement of service gains. Fiske (2004) notes that in interpersonal relationships people expect reciprocity. HEA consumers expect the service to exhibit gains that reciprocate the consumer’s high emotional attachment. We propose:

H2a: In the case of gains, consumers with high levels of emotional attachment to a service provider will have a higher level of favorability, than consumers with low levels of emotional attachment, to a service provider.

When HEA consumers experience service losses, the favoritism effect is positive, but invalidation of emotions is negative. The effects are in opposing directions, effectively canceling each other out. Consequently, HEA and LEA consumers have comparable ratings. We propose:

H2b: In the case of losses, consumers with high and low levels of emotional attachment will have comparable levels of negative responses to service losses.

Study 1
A 1-factor (gain, loss) between subjects field study was conducted (N=32, 71% male, mean age 37) in a sandwich shop. Emotional attachment was measured using the Thomson et al. (2005) emotional attachment scale, dividing high and low with a median split. The dependent variables were satisfaction, word of mouth, and repurchase intention. Purchase frequency and perceived level of human interaction were also measured. For example, the “gain” level was manipulated as follows:

“Imagine that [this restaurant] is extending its hours of operation. Specifically, it would be open 2 hours earlier each morning and close 2 hours later each evening. In total, [this restaurant] would be open 4 additional hours each day.”

In addition to hours of operation, product selection, and number of available servers (both gains and losses) were examined. Results are presented in aggregate.

The test of H1 showed that the level of human interaction perceived by the consumers has a small positive effect on how emotionally attached consumers feel. These results are directionally consistent with H1; pearson correlation=.334, ns.

Supporting H2a, in the case of a service improvement (gain), high emotional attachment consumers have higher levels, than low emotional attachment consumers, of satisfaction (LEA M=3.0, HEA M=4.8, n.s.), word of mouth (LEA M=3.0, HEA M=5.6, p=.034), and repurchase intention (LEA M=3.0, HEA M=6.0, p=.007) levels.

When there is a service reduction (loss), high and low emotional attachment consumers have comparable satisfaction (LEA M=3.67, HEA M=3.67, n.s.), word of mouth (LEA M=4.67, HEA M=5.50, n.s.), and repurchase intention LEA M=4.67, HEA M=4.83, n.s.) levels, supporting H2b.

Study 2
A 1-factor (gain, loss) between subjects lab experiment was conducted (N=155, includes respondents who have visited the Starbucks coffee shops in question at least once in the last 30 days). Measured variables and dependent variables were consistent with Study 1. An example of the “loss” level manipulation is as follows (hours of operation and product selection were also examined):

“The Starbucks on campus typically have two cash registers and three employees available at a given time. Imagine that the Starbucks on campus now had only one cash register and two employees during busy times. This would be a staff reduction to two employees. The result is that it takes longer to get your order.”

The results for study 2 replicate the results of study 1 in a more controlled environment. H1 was supported with a pearson correlation=.467, sig (2-tailed)=.000.

When there is a service improvement (gain), high emotional attachment consumers have higher levels, than low emotional attachment consumers, of satisfaction (LEA M=5.57, HEA M=6.46, p=.002), word of mouth (LEA M=5.43, HEA M=6.41, p=.002), and repurchase intention (LEA M=5.83, HEA M=6.70, p=.002) levels, supporting H2a.

In the case of a service reduction (loss), high and low emotional attachment consumers have comparable satisfaction (LEA M=2.39, HEA M=2.11, n.s.), word of mouth (LEA M=2.39, HEA M=2.89, n.s.), and repurchase intention LEA M=2.74, HEA M=3.00, n.s.) levels, supporting H2b.
Inferential and Perceptual Influences of Affective Expectations on Judgments of Experienced Affect

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Extended Abstract

Marketers often instill either positive or negative expectations for how an experience with a product will make consumers feel (i.e., affective expectations). After all, doing so will often congruently influence attitudes toward, and intentions to purchase, a product. However, one limitation of focusing on expectations is that the actual experience with the product is a fundamental attitude determinant (e.g., Regan and Fazio 1977). That is, the consumer attitudes created from implanting an affective expectation for a product are likely weaker and less predictive of behavior than are the attitudes formed following a direct experience with a product. Thus, the present research is an attempt to fill gaps in our knowledge about the interface between affective expectations, affective experiences, and the actual judgments of those affective experiences as well as resultant attitudes and intentions among consumers.

We propose that both inferential (conscious; Clore and Schnall 2005; Wyer, Clore, and Isbell 1999) and perceptual (nonconscious; Sherif and Holland 1961) processes can govern the effects of affective expectations on judgments of affect. Further, we suggest that both processes often lead to an “ironic” effect by which negative, relative to positive, affective expectations produce more positive affective reactions following an encounter with a product. Critical for the manifestation of this ironic effect is that the consumer is able to sufficiently identify, or focus on, their feelings (Albarracin and Kumkale 2003).

Whether an inferential or a perceptual process predominates depends on whether people endorse a naïve theory that affective expectations congruently influence affective experiences. Individuals who hold this belief may arrive at judgments of experienced affect in a predominantly inferential or reasoned manner. This naïve theory can lead consumers to believe that their affect resulting from an encounter with a product has been influenced by their expectations. Thus, they likely conclude following a negative (positive) affective expectation that the affect they currently experience is actually more (less) positive, producing the ironic effect. Further, individuals holding this naïve theory should spontaneously identify their feeling because they attempt to determine the influence of their expectations on their feelings. Thus, ironic effects should be commonly observed for these individuals unless they are artificially distracted from identifying their feelings.

Alternatively, individuals without this naïve theory may arrive at judgments of experienced affect only in a perceptual or nonconscious manner because they do not consider the influence of their expectations on their experiences, nor should they spontaneously focus on their feelings. Thus, these individuals will not demonstrate ironic effects as readily as will endorsers of the naïve theory. Rather, their judgments of affective experiences should be assimilated to their expectations. This prediction is consistent with research (e.g., Stapel, Koomen, and Ruys 2002) which suggests that judgments of an object (product) tend to be assimilated toward a context (or expectation) when the object and context are not seen as being distinct. However, if these individuals are experimentally induced to focus on the affect induced by the product, this affect will be seen as discrepant from an inconsistent expectation. In this case, contrast effects should be observed, producing perceptual ironic effects.

In two reported studies, participants received information instilling a positive or negative affective expectation for a “mood-altering” simulated-alcohol product, and then, a short time later, sampled the beverage. This beverage was associated with pleasant or unpleasant affect because it was immediately preceded by a mood induction in which participants wrote a letter about a happy or angering event to a friend. This mood induction (positive for Experiment 1, and positive or negative in Experiment 2) was presented to assure that participants had some affect identifiable since the beverage did not actually alter mood. Finally, participants reported judgments of their affective state,
beverage attitudes, and intentions to use the beverage. As well, we measured participants’ endorsement of the naïve theory and conducted a median split to isolate high and low endorsers of this theory.

Importantly, in Experiment 1, some participants were distracted by an audio-taped conversation from identifying their affect while they completed the main dependent measures, whereas others were not. For high endorsers of the naïve theory, we predicted that an inferential ironic effect would emerge under normal affect-identification conditions, but that no effect would be observed when a distraction was present. By contrast, under normal affect-identification conditions, low endorsers should perceive their experienced affect as being consistent with their expectation, but this effect should disappear when a distraction was present. The results of an analysis in which affect, product attitudes, and intentions to drink the product were combined confirmed these predictions.

In Experiment 2 we tested our prediction that consumers without a naïve theory may demonstrate perceptual ironic effects, but only when they are led to focus on their feelings. To do this, some participants were prompted to focus on their feeling just prior to completing the main dependent measures, whereas others were not. In these conditions, we expected low endorsers, and all high endorsers, to manifest the ironic effect. Otherwise, low endorsers were expected to demonstrate expectation-consistent effects. The results of an analysis in which affect, product attitudes, and intentions to drink the product were combined confirmed these predictions.

The proposed model is unique in positing two processes by which judgments of affect, and resultant consumer attitudes and intentions, are influenced by affective expectations. Importantly, this model predicts an ironic effect, which is related to other effects observed in the consumer behavior and social psychological literature (e.g., Oliver 1980; Mellers, Schwartz, Ho, and Ritov 1997; Wegener and Petty 1997) but also predicts an expectation-consistent effect under some conditions. Thus, the present model accounts specifically accounts for a variety of effects following affective expectations. Therefore, this model can prove useful in predicting when, and with whom, marketers will find most advantageous the creation of consumers’ positive or negative expectations for how a product will make them feel. Notably, careful advertisements may alter individuals’ naïve theories, and marketers can vary the extent to which consumers are likely to identify their feelings, thus controlling what effects are observed.

References

Consumer Evaluation of Brand Deletion and Feedback Effect: A Motivational Approach
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EXTENDED ABSTRACT

Introduction
Companies are increasingly deleting brands to rationalize their portfolios. This is usually a financial decision with little to no consideration for the consumer who actually bought the brands. An important question is to identify the repercussions of deletion decision on the existing consumers. This gap in the academic literature and management practice on brand deletion is addressed in this research, with the studies focusing on brand extension deletion.

Most new products, typically 80-90% in any year, are extensions. Many researchers studying consumer evaluation of brand extensions have followed a categorization perspective (e.g. Broniarczyk & Alba, 1994), much of which is driven by using the consumer learning approach. For example, a successful brand extension contributes to parent brand image by improving the strength, favorability, or uniqueness of its associations (Aaker & Keller, 1990.) Parent brand dilution has been shown to occur as a result of the introduction of an extension that has attributes inconsistent with consumer beliefs about the parent brand, but the flagship products have been shown as less vulnerable to dilution (John, Loken, & Joiner, 1998; Loken & John, 1993.)

This current research utilizes a motivational approach to study consumer evaluation of brand deletion and feedback effects. It is hypothesized that deletion of a brand extension, if it is the most preferred brand in the extension category, generates psychological