

Emotions in Financial Decision Making: The Impact of Media and News Valance

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For many years, text-based press releases were the most common medium for publishing a company's financial news. With technological advances, other methods have become available for news announcements. With the increasing popularity of rich multimedia content on the Internet, firms have begun to use online video to explain significant financial news (Elliot et al. 2012). Although video is considered a richer medium and can be utilized to better explain the financial news of a company, it is not known precisely how video might impact investor perceptions and decisions or whether that impact differs for positive vs. negative news.

Research has shown that financial restatements can influence investors' perceptions about a company, which in turn affect their investment decisions. Elliot et al. (2012) find that announcing a financial restatement via online video will more strongly influence investors' judgments and their investment decisions than announcing it via text. While it is expected that good financial news will positively influence investors' decisions and bad news will negatively influence investors' decisions, it is unclear how the valence of the news will interact with the communication medium. Adelaar et al. (2003) suggest that customers who are exposed to video have stronger emotions toward the stimulus than customers who are exposed to plain text. Therefore we expect that the positive or negative emotions elicited by positive or negative financial news, respectively, will be intensified by the video medium. This, in turn, will lead to a relatively greater positive or negative investment decision. The research model is shown in Figure 1.

In this study, we examine how positive and negative financial news can elicit differing emotional responses and, ultimately, investment decisions when delivered via text vs. video. In our experiment, we manipulated news valence (positive vs. negative) and news medium (text vs. video) in a 2x2 between-subjects design. Participants took on the role of investors and were randomly assigned to one of four conditions in which they received positive or negative financial information about a fictional handbag manufacturer through either text or video. The text news was formatted to resemble a typical corporate press release, and the video news was pre-recorded with an actor in a simulated news studio setting. In order to measure the participants' perceptions toward the company and their investment decision after viewing the news, participants were also asked to complete two sets of surveys before and after viewing the financial news.

Physiological responses were captured during the experiment to measure attention and arousal. These responses included eye gaze and pupil diameter captured using a Tobii T60 eye tracker as well as skin conductance captured using an Affectiva Q-Sensor. Skin conductance and pupil dilation reflect emotional arousal—a key construct in the current research model—and have been examined in previous decision making research (Bradley et al. 2008; Figner and Murphy 2011). Eye gaze is used to examine patterns of attentional focus across conditions. Results of the analysis shed light on the interaction between media and financial information and the impact of this interaction on investor perceptions.

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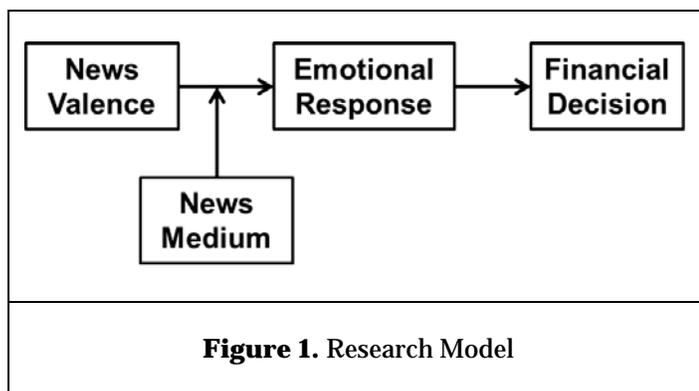


Figure 1. Research Model