Journal of Economic Psychology 36 (2013) 41–54

Contents lists available at SciVerse ScienceDirect

Journal of Economic Psychology

journal homepage: www.elsevier.com/locate/joep

Development and validation of the Perceived Investment Value (PIV) scale

Pekka Puustinen [a,*], Peter Maas [b], Heikki Karjaluoto [c]

[a] School of Management, University of Tampere, Kanslerinrinne 1, 33014 Tampere, Finland
[b] I.VW-HSG, University of St. Gallen, Kirchlistrasse 2, 9010 St. Gallen, Switzerland
[c] School of Business and Economics, University of Jyväskylä, P.O. Box 35, 40014 Jyväskylä, Finland

A R T I C L E   I N F O

Article history:
Received 12 March 2012
Received in revised form 23 February 2013
Accepted 27 February 2013
Available online 13 March 2013

JEL classification:
C38
D14
G02
M30

PsycINFO classification:
3040
2222
3920
3940

Keywords:
Behavioral finance
Investment Behavior
Perception
Value

A B S T R A C T

This study aims to develop a complementary and more comprehensive measurement to assess the nature of investment value affecting consumers' investment behavior. Recent research suggests that consumers may desire and obtain certain outcomes from investments that have not been anticipated in mainstream finance and economics literature. These benefits might be hedonistic or altruistic, self-expressive or emotional and experiential. Yet, while an increasing amount of attention has been paid to this topic, little effort has been made to develop an appropriate measurement scale for the subjective consumer perceptions of investments. To address this gap in the literature, this study introduces the concept of Perceived Investment Value (PIV), and develops and validates a measurement scale for the concept. The ultimate 18-item PIV scale parsimoniously represents six Perceived Investment Value dimensions: Economic value—Monetary savings; Economic value—Efficiency; Functional value—Convenience; Emotional value—Emotions and Experiences; Symbolic value—Altruism; and Symbolic value—Esteem. The final measurement scale demonstrates acceptable reliability and validity. Implications related to the developed scale are discussed in terms of their potential to inform a future research agenda.

1. Introduction

The most important assumption of modern finance and microeconomic theories is that the value of various investments is embedded in their transaction-based benefits and sacrifices, specifically the risk-adjusted return. This paradigm treats people as economic actors (Homo economicus) and assumes that investment value can be derived by means of profit maximization, rationality, and perfect information. Although some of these assumptions have been relaxed in behavioral finance/economics—explaining why and how people make seemingly irrational or illogical decisions when they spend, invest, save, and borrow money (Barberis & Huang, 2001)—the risk/return framework remains intact in investment research. Recent

* Corresponding author.
E-mail address: pekka.puustinen@uta.fi (P. Puustinen).

http://dx.doi.org/10.1016/j.joep.2013.02.009

research, however, has begun to recognize that it may not be expected financial returns and risks alone that determine an investor's willingness to invest in stocks (Fama & French, 2007). Indeed, Statman (2004) claims that it is no more reasonable to expect individuals to be concerned only about risk and return when compiling an investment portfolio than it is to expect them to be concerned only about cost and nutrition when deciding what to eat.

Recently many studies have adopted consumer behavior theories and techniques in search of a more holistic view of investing, the preferences that affect it, and also financial behaviors in general (Canova, Rattazzi, & Webley, 2005; Sullivan & Miller, 1996). This approach posits that consumers may desire and obtain certain outcomes from investments that have not been anticipated in mainstream finance and economic literature. Those outcomes might include entertainment considerations (Dorn & Sengmueller, 2009); self-expressive benefits (Statman, 2004); self-expressive, emotional, and experiential benefits (Fama & French, 2007); and psychic return (Beal et al., 2005). Illustrations have also been offered by Nilsson (2009), who compared investment styles among mutual-fund investors and identified a group primarily concerned with the social responsibility of the funds, and Sullivan and Miller (1996), who identified three types of venture capital investor; distinguished by their economic, hedonistic, and altruistic motives.

Research is increasingly contributing to our understanding of the subjective evaluations consumers undertake when considering investing, and prior studies address a variety of aspects of those evaluations and some relatively loosely-defined concepts, such as considerations, benefits, and motives. In addition to the abundance of concepts applied to describe subjective evaluations of investments, an important limitation of these studies is that the scales used to measure the concepts do not appear to have acquired commonly accepted standards of scale development (Churchill, 1979; Rossiter, 2002). This is a consequence of the fact that appropriate scale development would require constructs that are conceptually well defined. In their absence, the conceptual definition of the construct will not be adequate to indicate how the construct should be measured. Accordingly, there is an obvious need to (a) capture these subjective factors within a well-defined concept and (b) develop an appropriate measurement scale for the subjective perceptions in relation to investments.

For this purpose, this study adopts a consumer behavior-theoretical concept of perceived value, and develops and validates a measurement scale for the perceptions of expected financial return and other subjective elements to which investment research has increasingly referred. While this study attempts to extend the perspective on consumers' value perceptions, we do not challenge standard finance theory per se. Instead, the paper aims to develop a complementary, and more comprehensive measurement to assess the nature of investment value as it affects consumer behavior. The concept of perceived value has attracted special attention not only because of its importance in current theoretical discourse in both academia and practice, but also because the concept of perceived value seems to be a richer, broader, and more comprehensive measure of consumers' subjective overall evaluation than any mere tradeoff between risk and profit.

2. Research purpose

This study adopts a consumer perspective on value derived from empirical research into how consumers think about value (Richins, 1994; Zeithaml, 1988). The aim of the current study is therefore to develop a measurement scale and provide new insight into the concept of perceived value in an investment context, termed PIV. Comprehensive procedures are adopted to develop a measurement scale that in time will enable us to derive a measurement scale for PIV. The scale development procedure follows the accepted methodology established by Churchill (1979) and augmented by others (e.g., Anderson & Gerbing, 1988; Rossiter, 2002). The study addresses two objectives to attain its research goal:

1. Define the concept of PIV.
2. To develop, purify and validate a multi-item scale to measure consumer perceived value from investing in stocks.

The remainder of this paper is divided into five major sections. The next section (section three) begins with a discussion of the theoretical background followed by a conceptualization of PIV. In section four, the PIV scale development procedures revealed are discussed and an initial pool of scale items is developed. The results of a multi-sample investigation that serves to purify and validate the PIV scale is presented in section five. Finally, in section six, the discussion is presented alongside the limitations of the study and the paper concludes with its implications in section seven.

3. The concept of PIV

The consumer behavior theoretical concept of perceived value is rooted in consumer perceptions—that is, subjective experience and individual bases—making it a subjective view of reality and therefore selective (Antonides & van Raaij, 1998). In psychology, a perception is considered a process by which people select, organize, and interpret sensory stimuli: subsequently arranging them to form a meaningful picture of the world (Armstrong & Kotler, 2000). The perception is not a pure sensation but the result of becoming aware of, and assigning meaning to, phenomena (Holbrook, 1999). As perceived value is characterized as based on perception, it is therefore a subjective, meaningful, relativistic, comparative, and situational experience (Holbrook, 1999), in the course of which products are judged to be benefits, and/or sacrifices (Zeithaml, 1988). Following Olson and Reynolds (2001), consumers seek products/services that provide benefits or positive outcomes and/or avoid sacrifices or negative outcomes (Woodruff, 1997). The outcomes acquire their meaning and importance from