

Summary of *Persuading Investors: A Video-Based Study*

Allen Hu, Song Ma (Working paper, 2021)

Summarized by Li Ziming

1. What are the research questions?

- This paper researched the impact of delivery features in startup pitches on investors' decisions.

2. Why are the research questions interesting?

- The delivery in persuasion matters for the final economic outcome and features like visual, vocal, and verbal can be impactful. But empirical research on these non-content features remains scarce, and need to capture and quantify under the real-world setting. It is necessary to observe the economic decisions subsequent to the persuasion.

3. What is the paper's contribution?

- The delivery features in interpersonal persuasions are not well-studied in economic settings. Prior researches treated the persuasive features as signals or an additional dimension. This paper extends the related literature by allowing for persuasive features to change investor beliefs.
- This paper contributes to the literature that researches the unstructured data in economics (Gentzkow et al., 2019; Gorodnichenko et al., 2021). The paper provides a new ML-based method which improves the existing research by allowing dynamic feature aggregation of all channels using complete video data, presenting opportunities to answer new questions in economics.
- This paper also contributes to the literature of persuasion. Prior literature focuses on marketing, advertising, and political economy, or persuading investors through earnings announcements or stock recommendations. This paper presents that interpersonal persuasion is particularly important for investment decisions.

4. What hypotheses are tested in the paper?

- H1: More funding is driven by investors incorporating the well-performed pitch delivery features to improve their investment decisions.
- H2: The impact of delivery features on funding differs on the gender of entrepreneurs.
- H3: belief-based and preference-based channel both contribute to the impact of delivery features on investors' decisions.

a) Do these hypotheses follow from and answer the research questions?

- Yes.

b) Do these hypotheses follow from theory? Explain logic of the hypotheses.

- Previous research results suggest that positivity features have the power to swing the opinions of agents thinking categorically (Fryer and Jackson, 2008), and may be particularly salient in affecting investors' emotional states (Della Vigna, 2009) and find that "better pitch, more funding".

5. Sample: comment on the appropriateness of the sample selection procedures.

- The study uses an automatic search script for two public video-sharing websites, YouTube and Vimeo, to yield pitch videos when startups apply to highly ranked accelerators in the US. These videos are not viewed often, and most do not attract any likes or dislikes.

6. Comment on the appropriateness of variable definition and measurement.

- Facial emotions are categorized into positiveness and negativeness, and neutral facial emotions are excluded. Why neutrality would cause induces collinearity?
- The paper combines three-V dimensions of delivery features by choosing an eigenvector in the decomposition with the highest eigenvalue. But how vectors are constructed differs in different samples. Can we find a unified approach which represents the overall factor in the pitch?

7. Comment on the appropriateness of the regress/predict model specification.

- Why time (year) fixed effect is not included in the regressions?
- Should the characteristics of the reporter be controlled for in the analysis?

8. What difficulties arise in drawing inferences from the empirical work?

- The paper does not solve endogeneity problems such as omitted variables very well.

9. Describe at least one publishable and feasible extension of this research.

- The LM method introduced in this paper can be extended to capture other behaviors, such as gestures and speech fluency or can be used on other video like Shareholders meeting video and Executive interviews video.
- In the future research, we can explore the root of the inaccurate beliefs by connecting more closely to behavioral models on persuasion.