

LEARNING BY CONSUMING

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SUMMARY

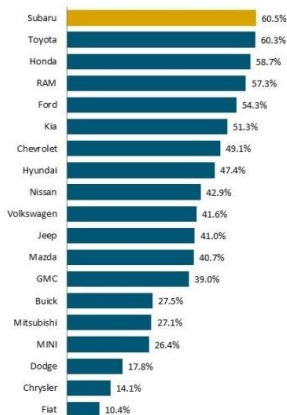
- Fund managers increase their allocation in stocks of automakers of cars they own
 - related to user experience (consumption experiences, repeat purchases, and brand switches, quick resale)
- Post-purchase, returns after managers hold the associated stock are higher than they do not hold that stock
- Learning Hypothesis
 - Learning additional information from their consumption experience
 - Rule out the reason of familiarity bias, Home bias, and preference explanation

FIRST PURCHASE DATE

J.D. Power 2020 U.S. Automotive Brand Loyalty StudySM

Mass Market Brand Ranking

(Loyalty Percentage)



- New Vehicle purchase records from 2006 to 2012.
- Is the first purchase date the real first purchase date?

FIRST PURCHASE DATE

- Manager can still learn from new model.
- Model Redesign vs. Model Refresh

FIGURE: Major Redesign for Honda Pilot

2003 - 2008 Honda Pilot



2009 - 2015 Honda Pilot



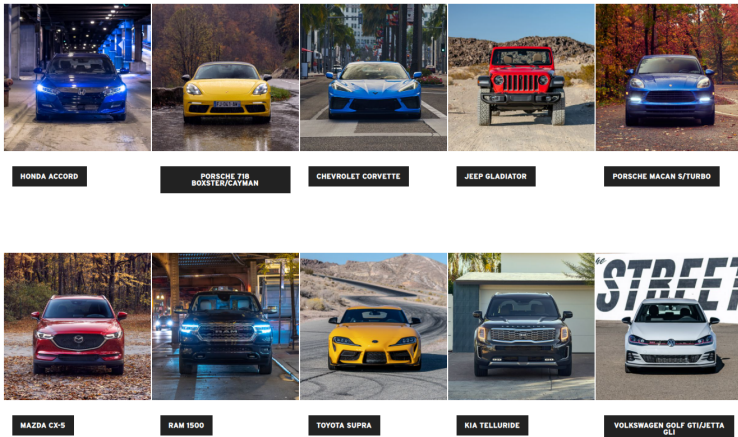
2016 - 2022 Honda Pilot



WHAT PRIVATE INFORMATION DOES MANAGERS LEARN?

- Can they learn from the consumption experience from a single model?

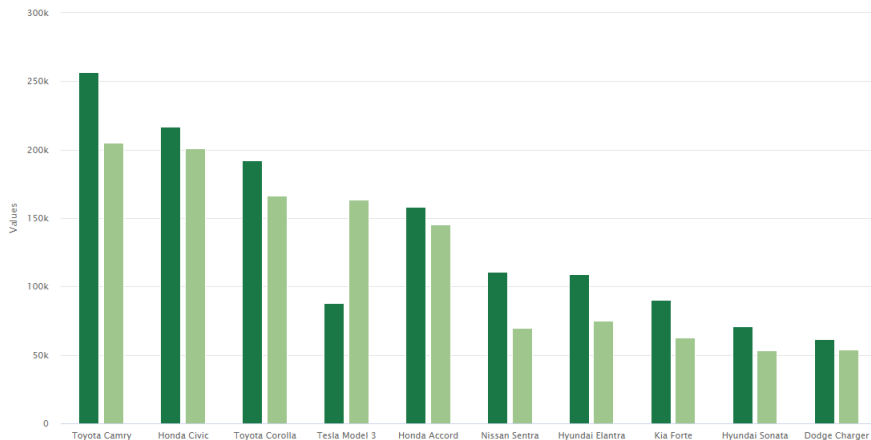
FIGURE: 10 Best Car in 2020 based on Customer Experience



WHAT PRIVATE INFORMATION DOES MANAGERS LEARN?

- Can they learn the sales information from a single model?

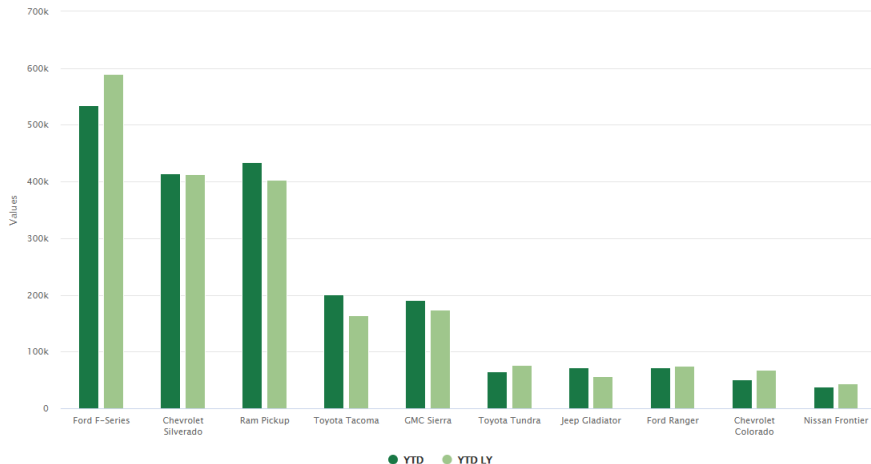
FIGURE: Best Selling Passenger Car in 2020



WHAT PRIVATE INFORMATION DOES MANAGERS LEARN?

- Can they learn the sales information from a single model?

FIGURE: Best Selling Pickup Truck in 2020



WHAT PRIVATE INFORMATION DOES MANAGERS LEARN?

- Can fund managers really learn from a single model?
 - Test using the case of Jaguar & Land Rover acquisition to Tata in 2008
- Is the information static or time-variant?
 - Can we identify investment strategy directly related to recall?

ALTERNATIVE HYPOTHESIS?

Attention Hypothesis

- Fund Managers will pay more attention to the stocks of automakers of cars they own
- If the consumption experience is positive, they will pay more attention to the associated stock and increase the stock allocations
- The information they obtain could be from the public that other than the consumption experience

PUZZLE FINDING

FIGURE: Manager performance poorly before purchase

Average Return for Three Months		
Before	After	Difference (After-Before)
-0.007	0.004	0.011***
Obs.=781	Obs.=2,473	(3.86)
-0.001	0.003	0.003**
Obs.=2,859	Obs.=4,812	(2.49)
-0.006**	0.002	0.008**
(-2.20)	(1.40)	(2.47)

- The results seems to mainly contribute from the poor performance before purchase

CONCLUSION

- Strongly Recommended
- Well Execution
- Great Contribution to the Literature
 - Life experiences affect investment decision
- Economic Explanations
 - Learning Hypothesis vs. Attention Hypothesis