Brand Political Positioning: Implications of the 2016 US Presidential Election

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Abstract

The heightened polarization in the US political landscape and the increased emphasis on personal values and identity in politics create important externalities affecting the functioning of commercial entities in the marketplace. We discuss the construct of a brand's political positioning—the extent to which the perceptual profile (brand image) of a commercial entity aligns with the perceptual profile of a major political party—and show its effects on firm valuation and sales in the aftermath of the 2016 US presidential election. We propose a mechanism to explain the observed performance effects—consumers' shifting preferences toward (away from) the brands perceptually associated with the winning (losing) political party. We present evidence supporting this mechanism: the documented valuation effects are stronger for consumer-facing firms, the sales react immediately after the election (fourth quarter of 2016), and the firm value is tied to the public sentiment toward the political entity to which the corporate brand is perceptually similar.

Key Words: Brand Positioning, Polarization, US Politics, Event Study, Dynamic Panel-Data Models, Calendar-Time Portfolio Analysis

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Brands are multi-dimensional constructs that live in people's minds. Brands have meaning. Brands can be anthropomorphized (i.e., imbued with human-like features): they can exemplify personal values, human traits, and characteristics. Brands can have distinct personalities, and consumers can build relationships with them (Aaker 1997; Fournier 1998). The personality embodied in a brand allows its users to express their own identities and an ideal self (Belk 1988; Malhorta 1988, Kleine, Kleine, and Kernan 1993).

Political parties engage in active branding campaigns to develop and maintain distinct party images (Heersink 2018, Pich et al. 2018, Lelkes and Sniderman 2016, Hoegg and Lewis 2011). They too embody personal values and traits and are bestowed with human personality characteristics. The heightened polarization in the US political landscape and the increased emphasis on personal values and identity in politics create important externalities affecting the functioning of commercial entities in the marketplace. We discuss the construct of a brand's political positioning (PP)—that is, the extent to which the perceptual profile (brand image) of a commercial entity aligns with the perceptual profile of a major political party—and examine its effects on firm performance in the aftermath of the 2016 US presidential election.

We compute PP scores for 367 corporate brands reflecting their alignment with the Republican and Democratic Party images as a weighted Minkowski distance between a brand and a political party image in the multidimensional space of 48 personality traits and values that constitute the Young and Rubicam's Brand Asset Valuator (Y&R BAV) brand image data. This measure allows us to quantify the extent to which a given commercial brand embodies the Republican versus Democratic Party's values and traits.

We validate the economic significance of PP and show its effects on firm performance in the financial markets and product markets following the 2016 US presidential election. Our findings show that the financial performance of a commercial entity is tied to the fortunes of the political entity its brand profile shares similarities with. Specifically, we find that, immediately following the announcement of the results of the 2016 presidential election, firms whose brand image is more similar to the perceptual image of the winning Republican (vs. Democratic) Party realize a 1.7% increase in their financial market valuation. Past research attributed positive financial returns to firms affiliated with ruling political parties (e.g., through campaign donations, family ties, or board membership of key political figures, Knight 2006) to preferential treatment these companies receive from the administration in power. We suggest and provide evidence for a completely different, a consumer-driven, mechanism explaining the observed superior stock market performance. We argue that the positive effects we document stem from consumer perceptions and accrue due to changes in consumer behavior.

Building on the arguments of social psychology and consumer behavior literature, we propose that the salience of a major election outcome stimulates preference (rejection) for brands reflecting the values and traits of the winning (losing) party. We report several findings supporting our proposition. One, our proposed mechanism is supported by the evidence showing that the stock market reaction effects are primarily driven by the consumer-facing (vs. business-to-business) companies in our sample. Two, we show that for the firms whose brands are perceptually similar to the brand of the losing political party, sales drop immediately following the election. Using quarterly sales data and a system GMM dynamic panel estimator (Blundell-Bond 1998), we show a significant decline in sales for firms whose brands are perceived as more similar to the Democratic versus Republican Party image (this finding is consistent with past

research documenting more negative consequences of affiliation with the losing party, Knight 2006), and this decline is more pronounced for the consumer-facing firms.

Importantly, the sales drop we document is significant in the fourth quarter of 2016 (i.e., after the 2016 presidential election results are announced and before the new administration takes power). That is, long before the new administration comes to power and any preferential or retaliatory treatment can ensue, we observe significant differences in the marketplace performance depending on firm PP. Because we observe these effects well before the presidential inauguration, preferential treatment by the new administration cannot explain the performance gap we document. Instead, we argue this sales gap is driven by a shift in consumer preferences in favor of (away from) the brands perceptually associated in consumers' minds with the winning (losing) political identity.

Further, we present evidence of post-inauguration effects. We undertake a calendar-time portfolio analysis using daily data and show that the financial market valuation of firms is tied to the perceived performance of the new administration. Specifically, we show that brands with a perceptual profile similar to that of President Donald Trump (vs. the Democratic Party) increase in value with increases in the president's net approval ratings. We undertake multiple sensitivity tests and find support for the validity and stability of our findings and conclusions.

Our study demonstrates the importance of brand PP to commercial entities and offers three important insights. First, we highlight a new dimension of brand positioning (firm–political party alignment) that has not been previously examined in the literature. Specifically, we show that close alignment between the brand image of a firm and that of the winning/losing political party in the perceptual space of personality traits and values affects firm performance. We propose a mechanism to explain the relative boost in firm performance for firms perceptually

aligned with the winning (vs. losing) party—change in consumer behavior stemming from a preference shift toward brands embodying the perceptual characteristics of the winning party—and provide evidence to support it. Our findings highlight the role of brand positioning within the context of a highly politicized and polarized social environment and the importance of understanding and proactively managing a brand's political positioning.

Firms and Politics

Politicians make public policy decisions with a direct and material impact on government regulations and the functioning of economic agents (Krueger 1974, Shleifer and Vishny 1994, Stigler 1971). Corporations have an interest in policy and are involved in the political process through financial contributions, lobbying, and formal and informal social networks. Significant research effort has been devoted to study the financial returns to firms' political involvement (e.g., Aggarwal et al. 2012, Shon 2010, Goldman et al. 2009, Cooper et al. 2010, Yu and Yu 2012), and the findings generally suggest that contributing or being connected to the winning party is associated with subsequent positive financial returns. This effect is typically attributed to the preferential treatment of the donor corporation by the new administration (Knight 2006).

Several studies focus on corporate political engagement and its financial consequences to the firm. The dominant view contends that political contributions are investments in a political marketplace and that the expected returns on such investments are positive (Stratmann 2005). These positive returns may arise through direct and through more opaque indirect mechanisms. Government officials and legislators can, for example, influence the allocation of lucrative government contracts toward the politically connected company, offer tax incentives, promote firm products, change regulatory requirements, or impose tariffs or taxes to benefit specific companies (Goldman, Rocholl, and So 2008, 2009, Child et al. 2020).

One interesting empirical observation supporting the "political donations as an investment" view is that "hedging" (splitting of corporate contributions and support roughly equally between the Republican and Democratic causes and candidates) is common in corporate America (Poole and Romer 1985). The intent of hedging is, presumably, to protect the firm against possible adverse election outcomes. As such, inferring the political affiliation of a firm is not trivial, and different metrics have been proposed in the literature to measure it.

Many authors focus on corporate contributions to political candidates (Cooper et al. 2010, Shon 2010, Aggarwal et al. 2012, Huber and Kirchler 2013). The findings of these studies generally conclude that companies realize immediate positive abnormal post-election stock returns with (i) a higher percentage of contributions given to the winner of the election and (ii) higher total contribution levels. Cooper et al. (2010) find a positive association between the number and the influence of political candidates (irrespective of their partisanship) a company is supporting, and its future stock returns.

Another set of studies uses political connectedness to infer firm political affiliation (e.g., Fisman 2001, Duchin and Sosyura 2012, Child et al. 2020). Goldman et al. (2009), for example, study the political connections of the S&P 500 boards of directors. The authors classify companies as Republican or Democratic based on the former political affiliations of the corporate board members. They report that following the announcement of Republican Presidential win in 2000, abnormal stock returns to "Republican" firms exceeded those to "Democratic" firms by 0.77%.

As academics debate the firm motivations, the mechanism, and the magnitude of economic returns to corporate political engagement (Ansolabehere et al. 2003, Shon 2010), some studies suggest that the impact of political regime on firms can be substantial. Knight (2006), for

example, studies the effects of the 2000 presidential election. A victory by Gore or Bush would set a different direction for public policy in certain industries (e.g., Gore favored price controls and promoted generic pharmaceuticals, whereas Bush opposed price controls and supported large pharmaceuticals). Knight (2006) finds that under a Bush administration, relative to a counterfactual Gore administration, Bush-favored firms are worth 3% more and Gore-favored firms are worth 6% less. These numbers imply a $100 billion market value transfer, from the 29 Gore-favored to 41 Bush-favored companies studied, attributable to Bush winning the election.

Our focus is fundamentally different from this research stream in that we are not looking at firm actions, political contributions, or corporate support of political candidates or parties. In contrast, we study personal values and attributes as they pertain to the Republican and Democratic Party identity and consumer perceptions of corporate brands on these values. In our modeling, we control for the effects of corporate political contributions, industry, and other factors to ensure the results we report cannot be attributed to the actual corporate engagement in the political process.

Consumers, Brands, and Politics

Brands are abstract multidimensional constructs that reside in people's minds. Brands embody certain values; they can have a unique identity and can ultimately become a partner in a relationship with a consumer (Keller 1993). Consumers can attach symbolic benefits to a product due to their brand associations (Levy 1959, Solomon 1983, Keller 1993). Brand positioning efforts are focused on creating desirable associations along certain dimensions of brand perceptions. The desired outcome of strategic brand positioning is a coherent and consistent brand identity. Brand positioning is a key managerial decision, but recent research on positioning effects is scant (for a rare exception, see Klein et al. 2019).

Brand Associations Motivate Consumer Response

Brands have important implications for a company's bottom-line and firm value (Simon and Sullivan 1993; Barth et al. 1998; Srinivasan, Park and Chang 2005; Mizik and Jacobson 2008, 2009; Srinivasan and Hanssens, 2009). Keller and Lehmann (2006) outline a "brand value chain" that leads to the firm's bottom-line and a hierarchy of its five stages: (1) awareness, (2) associations, (3) attitude, (4) attachment, and (5) activity. That is, customers' mental responses (perceptions/associations) toward the brand motivate their behavior.

Shocker et al. (1994, p.156) highlight the "increasing fragmentation of audiences" and the need for brand managers to accommodate growing differences in tastes. The heightened polarization in the political arena and the increasing individual consumer engagement in the political process raise new questions for brand management and new brand positioning challenges. In a politicized social environment with the trends toward greater opinion and attitude polarization occurring in the US (Nivola and Brady 2008), it is increasingly important for brand managers to understand their brand's political identity to properly manage their brand positioning.

Political Party Associations: Issue Ownership

Although branding has become more prominent and critical in the area of political marketing in recent years, public attention and academic research on party associations continue to focus on the differences in the key social, economic, and foreign policy issues (e.g., immigration, healthcare, climate change) in the political parties' platforms (Jones 2019). Issue ownership theory (Petrocik 1996) remains the core paradigm in the study of political systems and voting behavior. It argues that political parties influence and attract voters by focusing on key issues of public interest where they have a reputation for greater competency. Both underlying dimensions

of issue ownership—competency (whether a party is considered the "best" to deal with an issue) and the associative (spontaneous association between specific issues and specific parties in the minds of the voters)—have been shown to be independent determinants of voting behavior (Walgrave et al. 2012). Baumer and Gold (1995) find that about two thirds of likely voters can articulate dominant images of the parties, and that the content of these images is both specific and enduring: Democrats seen as the party of inclusion and government spending, Republicans viewed as allies of the wealthy and opponents of government spending and intervention.

Brewer (2009, p.74) reports that when asked to think about political parties in 2004, about 80% of Americans saw important difference between the parties, and many could "generate clear mental pictures related to important matters in the American polity." According to Brewer (2009), the key differentiators underlying party images are (1) economic issues (e.g., the Democratic Party viewed more positively on economic issues because it is seen as the champion of the working class and the common person in the US, and the Republicans as the party of big business and the rich), (2) philosophical issues (e.g., the GOP viewed positively for its conservatism and opposition to big government, and the Democrats seen as excessively liberal and more likely to engage in profligate spending), and (3) non-economic domestic issues (e.g., abortion, gay rights, affirmative action, environment, etc.)

Commercial entities can, in principle, easily avoid close association with the issues-based divisions in the US political system, by simply abstaining from taking positions on the divisive social, economic, and political issues. Doing so, however, will not necessarily eliminate the possibility that their commercial brands will be associated with the Republican and Democratic political brands in consumers' minds. The associations can form and can persist based on common perceptions of traits shared by a commercial brand and a political party brand.

Political Party Associations: Image and Personality

Political brand image (just as a product/service brand image in Keller's 1993 framework) is comprised of perceptions about it as reflected in the brand associations held in an individual's memory. Brand associations take the form of perceived attributes and benefits that are particularly salient for this party brand versus its rivals. The perceived benefits a political brand offers are primarily experiential and symbolic. Attributes of a political brand—that is, the fundamental descriptive features that characterize it—are the traits an individual believes the brand possesses.[1] Within Keller's (1993) framework, the "imagery" components of political brands (its leaders and members' imagery; the party platform, positions, values, and actions; and its branding and self-definition efforts) provide the main basis for forming the perceptions about this brand's attributes and personality traits.

The idea that brands can be imbued with human personality traits has long been accepted in the marketing literature. A recent review of consumer behavior research (MacInnis and Folkes 2017) highlights several factors that make political brands particularly likely to be anthropomorphized (perceived to have human-like traits, attributes, and personality). Building on Epley et al.'s (2007) SEEK (Sociality, Effectance, and Elicited agent Knowledge) model that identifies factors driving the human tendency to anthropomorphize objects, MacInnis and Folkes (2017) offer a systematic review of research on humanizing brands. Objects will be anthropomorphized when the knowledge of people and how they behave ("elicited agent knowledge" component of the SEEK model) is activated and accessible. This psychological process of humanizing non-human objects "is often automatic, occurring outside of one's

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[1] The attitudes toward a political brand are a function of the associated perceived attributes and benefits and the subjective individual value judgment (positive or negative) about possessing these attributes and realizing benefits (similar to Keller 1993).

awareness" and is motivated by the drive for a social connection (i.e., sociality motivation in the SEEK model) and the need to make sense of or gain control of one's environment (i.e., effectance motivation, MacInnis and Folkes 2017, p. 358).

Political party brands are more likely to elicit "agent knowledge" (make knowledge about humans more easily accessible) and be humanized, because a political party is, in effect, a group of people, its members, and can be considered a social category (Waytz and Young 2012). Much of the political branding effort relies on imagery closely associated with and often represented by the party leaders or key political figures/ candidates, triggering visual cues evoking human schema. The political branding campaigns and messaging often use human-like attributes to define these brands and endow them with a human-like agency, presenting them as a character with a past history, achievements, goals, aspirations, and values (e.g., inclusion and tolerance, DNC 2016 platform vs. exceptionalism, freedom, and strength, RNC 2016 platform).[2]

Surprisingly little research, however, has focused on understanding the brand image of political parties in the perceptual space of personal values and traits and studying its effects (Hoegg and Lewis 2011). Winter (2010) argues that during the past three decades, Americans have come to view the parties in gendered terms of masculinity and femininity. He shows experimentally that connections between party images and gender stereotypes have been forged at the explicit level of the traits that Americans associate with each party (e.g., Republican-Masculine: experienced, strong, independent, realistic, cocky, selfish, taking undeserved credit; Democratic-Feminine: caring, generous, compassionate, weak, impractical, inexperienced) and also at the implicit level of unconscious cognitive connections between gender and party stereotypes. Hoegg and Lewis (2011) study the effects of candidate appearance and advertising

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[2] https://democrats.org/where-we-stand/party-platform/protect-our-values/; https://gop.com/platform/preamble/.

on election outcomes and document empirically another perceptual distinction between the parties: compared to the Republican Party, the Democratic Party is viewed as higher on intelligence than on competence.

Relevant to our research domain (commercial brands), Schoenmueller et al. (2019) use joint followership of political and commercial brands on Twitter and Gelb and Sorescu (2000) use surveys to study political brand associations. Neither study, however, considers the underlying personality traits associated with a party in forming political brand associations. Rather, Gelb and Sorescu (2000), for example, find that "having a younger person endorsing the brand, being smaller in size, being associated with warmth and concern for others, etc." leads to a Democrat association, whereas "having older/professional person endorsing the brand, being bought at a store that sells expensive things, being used by a 'white-collar worker,' etc." connects a brand to the Republican identity (p. 100).

In sum, we find a paucity of research on personality traits of political parties and no studies examining the financial consequences of political brand associations for commercial brands. The performance impact of a brand's political positioning is the focus of this paper.

Hypotheses

Past research has shown that firms affiliated with the ruling political party enjoy advantages and have superior financial performance. Such affiliations have been defined in terms of financial contributions, family or business ties, or board membership of key political figures. We suggest that associations in the minds of consumers, more specifically, a close alignment along the key differentiating dimensions in the perceptual space of personality traits and values, will also have a positive effect on firm performance, and we can observe this effect at the time of the presidential election announcement in the form of increased stock market valuation.

Hypothesis 1: *Alignment of the corporate brand image with the winning (vs. losing) political party's brand image in the perceptual space of personality traits and values is associated with a relatively more positive stock market reaction at the time of the announcement of the election results.*

An interesting and important question arises, though: What underlying mechanism could explain the positive market reaction to the alignment between the brand images of a commercial entity and the winning (vs. losing) political party? The mechanism explaining the positive market valuation of affiliation/ties with the ruling party is well understood and is generally agreed upon in the literature: affiliated commercial entities receive preferential treatment and thus obtain financial performance advantages. Following a major election, the future prospects of the companies affiliated with the winning party improve and the expectations of their future cash flows increase, resulting in an immediate positive market reaction (valuation adjustment) at the time of the election results announcement.

This preferential treatment mechanism, however, cannot explain market valuation adjustment based on consumer perceptions of a commercial brand, the winning (vs. losing) party's brand, and their alignment/similarity on personality traits and values (i.e., political positioning of the commercial brand). Brand positioning and its perceived similarity with the brand image of the winning (vs. losing) political party resides in consumers' minds and does not have a direct link to the new administration's economic decision making.

A review of the economics, social psychology, and consumer behavior literature suggests a potential consumer-driven mechanism for the positive (negative) market reaction stemming from the perceived alignment between a commercial brand and the winning (losing) party brands, even in the absence of favoritism (retaliation) from the new administration: consumer preference might shift toward (away from) the brands that reflect the personality traits and values of the winning (losing) party, boosting (decreasing) their relative performance.

The role of social norms in herding to the winning side

Indeed, it is widely recognized that people tend to follow social norms. Akerlof's (1980) theory of social custom argues that norms of behavior are shared among individuals and are sustained by their approval and disapproval. Individuals are genuinely concerned with their reputation within the community and behave in accordance with the existing social customs in order to sustain their reputation. This basic setting can give rise to the conformity (tendency to agree to the majority preference), herding (following dominant trends), bandwagon, social proof, and basking in reflected glory (Cialdini et al. 1976) effects. These related psychological phenomena can be motivated by the desire to fit in, to comply with social norms, to be correct, to be part of the winning side, or to achieve inclusion and social acceptance.

Membership in a dominant group confers positive social identity

People desire a positive social identity (a sense of who one is based on their group membership), and this desire is motivated by the fundamental need to maintain and enhance self-esteem (Tajfel and Turner 1979). Membership in a group regarded as dominant or superior confers a positive social identity. Therefore, individuals might try to associate themselves with the more dominant and positively regarded social groups. They can express and signal their desired social identity in the marketplace through increased preference for the brands reflecting the values and traits of this identity. Following a major election, consumer preferences might shift toward the brands reflecting the personality traits and values of the winning party's brand identity.

A major election win increases salience and desirability of winner's distinguishing attributes

A major election, particularly one that entails a change in the political regime, makes the identity of the winning party and especially the attributes distinguishing it from its political rivals more salient and more desirable. Cantor et al. (1982) show that social situations to a large extent

determine the cues for behavior and make a specific set of personality traits more accessible. In a series of experiments, Aaker (1999) shows that personality traits made accessible to a consumer by situational cues positively influence consumers toward the brand imbued with such traits. Specifically, Aaker (1999) argues that different self-conceptions (actual self, ideal self, etc.) can be activated by social situations and shows both brand/self-congruity (brand being associated with the traits congruent with the individual's own, actual or desired, personality traits) and brand/situational congruity (brand being associated with the traits appropriate in the social situation an individual finds him/herself in) on a specific personality dimension that is made salient increases positive attitude toward the brand. These effects were significant across all personality dimensions investigated in the Aaker (1999) study.

Brands allow consumers to express themselves and to enhance their self-view

Brands help consumers construct and validate their identities, bolster their self-view, and signal it to the self and the others (Levy 1959, Sirgy 1982, Gal 2015). Indeed, the need for self-signaling is an important driver of consumer preferences and brand choice (Belk 1988). It has been shown to operate at the level of a specific personality dimension or identity trait (Kleine, Kleine, and Kernan 1993; Grohmann 2009; Reed et al. 2012). The positive shifts in consumer attitudes and behaviors toward brands with personality attributes made salient by environmental cues occur because consumers use brands to achieve the psychological goals of self-signaling, self-construction, self-presentation, belonging, social integration, and conforming to the majority or a group they want to associate with (Escalas and Bettman 2005; Wang, Zhu, and Shiv 2012). Consumers achieve these psychological objectives by acquiring and using brands imbued with traits they desire to attach to their personal self and to an observer brands provide a "social stock of knowledge" to infer the identity characteristics of brand users (Shavitt and Nelson 2000).

In sum, a major election makes the key distinguishing brand attributes of the winning party's brand salient. Commercial brands imbued with the personality traits of the winning party convey a desirable identity to customers, which can lead to a demand shift toward these brands following an election. Under the efficient markets hypothesis (Fama 1970), the expected shift in demand toward the brands reflecting the winning party's brand image would be recognized and immediately incorporated into stock price, explaining the more positive abnormal returns to these companies upon announcement of election results. Under this view, the positive valuation effect (Hypothesis 1) should be more pronounced for consumer-facing brands (i.e., the brands consumers make direct purchase decisions about) than for business-to-business brands:

Hypothesis 2: *For consumer-facing firms, an alignment between the corporate brand and the image of the winning (vs. losing) political party is associated with a more positive stock market reaction at the time of the election outcome announcement.*

Further, if our logic is valid and consumer preferences do indeed shift, we might also be able to observe the increased demand directly by examining firm sales data in the time period immediately following the election. We would expect to see a relative increase in sales for firms whose corporate brand image is aligned with the image of the winning (vs. losing) political party, and this effect should be stronger for consumer-facing firms:

Hypothesis 3: *Firms whose brands are aligned with the brand image of the winning (losing) political party experience a relative increase (decrease) in demand following the announcement of the presidential election results, and this effect is driven by consumer-facing firms.*

Data

We combine data from multiple sources to compile the dataset for our analyses. We obtain quarterly accounting data from Compustat for 2005Q1-2019Q3. Daily stock returns for October 1, 2015, to September 30, 2019, come from CRSP, and the daily risk factors data from the Ken French's library (https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html).

We obtain data on firms' political contributions to the Republican and Democratic Parties from opensecrets.org, and the CEO contributions from the Federal Election Commission. President Trump's approval ratings come from fivethirtyeight.com. We use Young & Rubicam Brand Asset Valuator (BAV) data for 2016Q3-2019Q3 as a source of brand perceptions for political parties, political personalities, and corporate brands.

Y&R BAV group has been collecting brand perceptions data from a large nationally representative panel of US adults since 1993, and these data have been used in several academic studies (e.g., Klein et al. 2019). BAV covers a large sample of commercial national brands, organizations, and celebrities. Similar to Klein et al. (2019), we observe data on 48 brand image attributes for these entities. To allow for matching with accounting and stock market data required for our analyses, we focus on the 367 mono-brand firms publicly traded in the US we were able to identify in the BAV 2016Q3 database. Table 1 presents summary statistics for the key measures in our analyses and their definitions.

Consumer Perceptions of Political Parties and Candidates

2016 was an unusual presidential election on many dimensions. The Democratic candidate, Hillary Clinton, was the first female presidential nominee of a major US political party and was perceived as aligning too closely with big business interests (typically, a Republican position). The Republican candidate, Donald Trump, a professional entertainer and businessman, had changed his party affiliations multiple times over the years. He was a registered Democrat (2001–2009) before registering as a Republican in 2012.

Figure 1 presents a network graph of the US political landscape and its evolution since 2016Q3. We used all 48 BAV image attributes as inputs and R (Qgraph package) to create these network visualizations in Euclidean space. The nodes of the graphs in Figure 1 represent parties

and candidates, and the links (their thickness) represent the degree of similarity between the

entities they connect. In 2016Q3, Donald Trump was distant from the traditional political

establishment entities (both from the Republican and Democratic Parties and from key political

figures such as Barack Obama, John McCain, and Hillary Clinton) and was less similar to the

Republican Party and McCain (the Republican presidential candidate in the 2008 election cycle)

and closer to the Democratic entities (the Democratic Party, Hillary Clinton, and Barack

Obama). In 2019, while Donald Trump still remained relatively remote from both parties, the

evolution of the network graphs over time suggest slow convergence between the Donald Trump

and the Republican Party brands (i.e., the link to the Democratic Party became weaker and to the

Republican Party stronger).

Figure 1. Network Graph of US Political Entities Based on BAV Brand Image Data

The nodes in the graphs represent the entities: R for Republican Party, D for Democratic Party, Trp for Donald Trump, Cln for Hillary Clinton, Mc for John McCain, and Ob for Barack Obama. The links (their thickness/ saturation) represent the degree of similarity between the connected nodes. The network graphs are constructed in Euclidean space using R (Qgraph package) and the BAV data on 48 equally-weighted brand image items (z-standardized by the data collection wave). The 2016Q3 network graph also includes John McCain (Republican) and Barack Obama (Democrat), the presidential candidates from the 2008 (prior major election cycle), for reference.
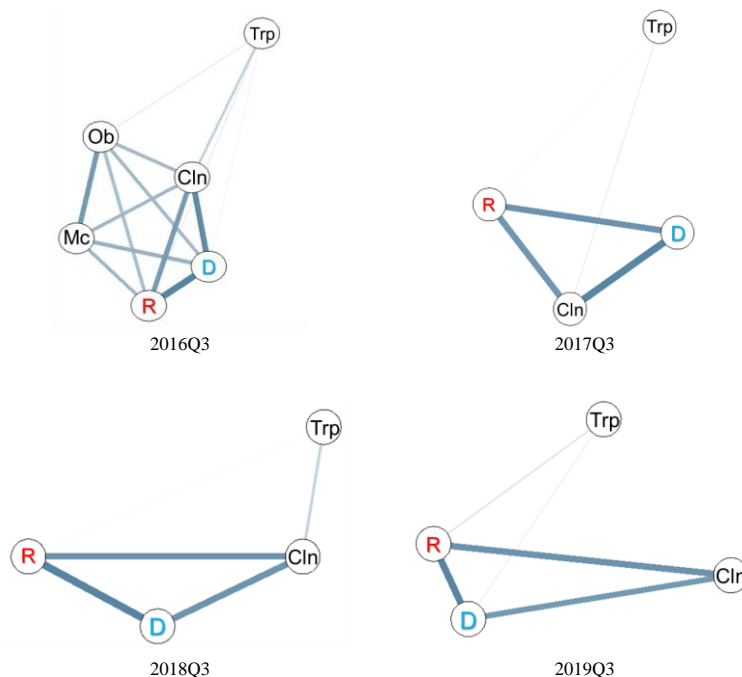
Table 2 presents a list of the top three brand image descriptors (i.e., BAV items with the

highest scores) in 2016Q3 for the political parties, presidential candidates, and a small subset of

the firms included in our analyses. In the third quarter of 2016, the top defining perceptual brand

attributes (items with highest scores) for the Republican Party were *Arrogant*, *Unapproachable*,

and *Restrained*, and for the Democratic Party, they were *Arrogant*, *Unapproachable*, and

Progressive. The three key differentiating items for the Republican and Democratic Parties (i.e.,

items with the greatest differential in consumer perceptions), however, were *Progressive*,

Daring, and *Independent*. Figure 2 presents a graph of the top 10 differentiating brand image

attributes (Z-standardized across all brands included in 2016Q3 BAV survey) for the Republican

and Democratic Parties, and Figure 3 presents a scatter plot of 2016Q3 perceptions for 367

corporate brands included in our analyses on *Progressive* and *Daring* (the two top differentiating

dimensions for the Republican and Democratic Parties).

Figure 2. Top 10 Differentiating Perceptual Dimensions for the Republican versus the Democratic Party Brand Image, 2016Q3

The figure presents the top 10 BAV brand image items with the greatest differential score between the Republican and the Democratic Parties in 2016q3. All data are Z-standardized.
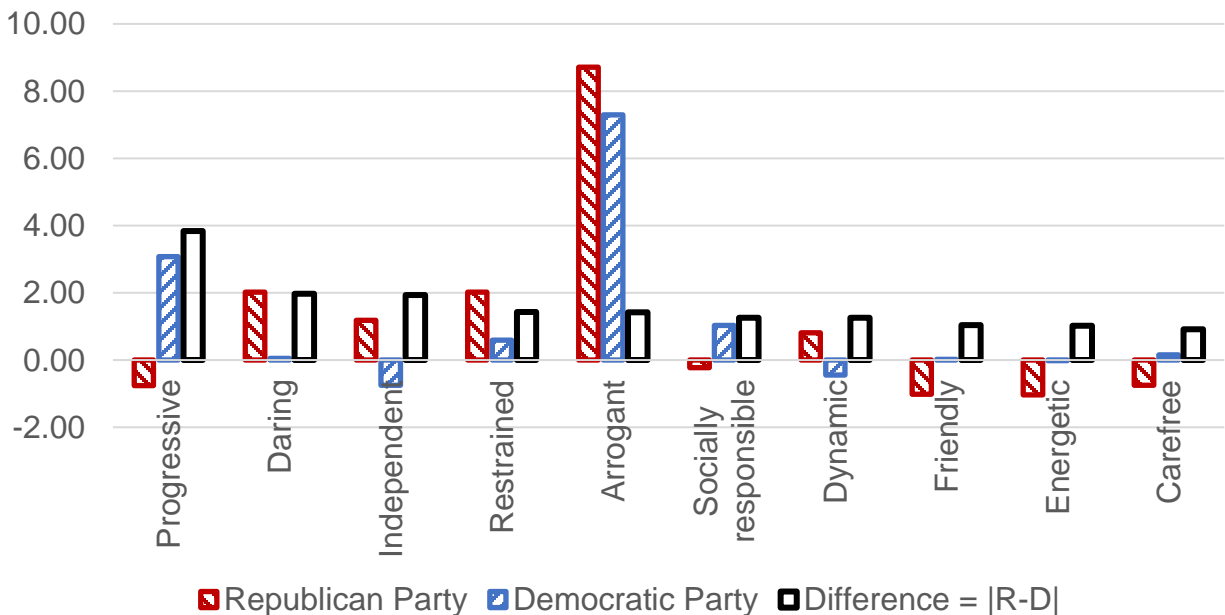
Figure 3. Scatter Plot of 2016Q3 Consumer Perceptions of the Corporate Brands on Progressive and Daring for the 367 Firms in our Data Sample
Hollow gray dots denote consumer-facing firms and solid gray dots denote other firms. All data are Z-standardized.
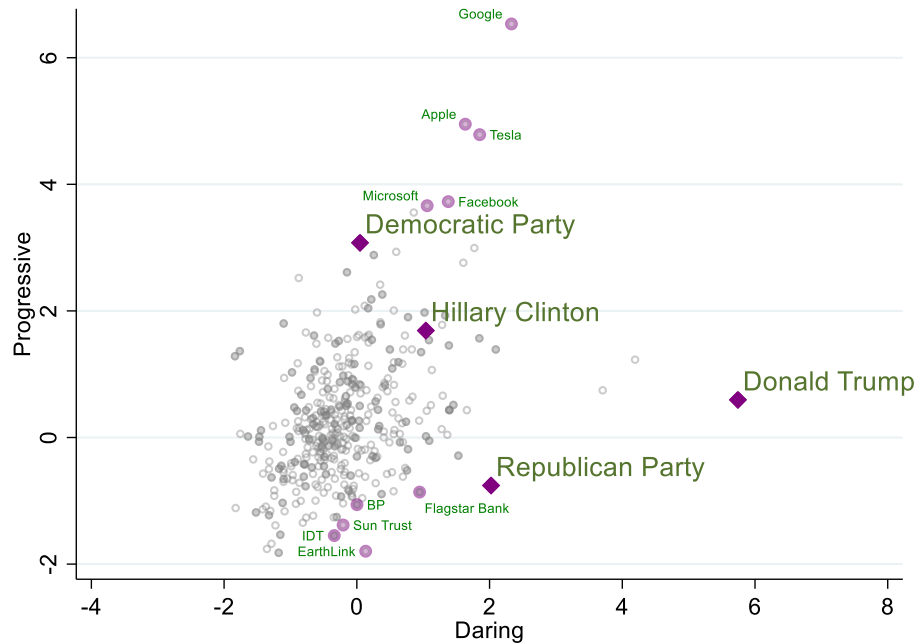
Computing PP scores

We operationalize the construct of political positioning (PP) as the relative distance of a commercial brand to the Republican versus the Democratic Party brands in the perceptual space of 48 brand image attributes. First, we compute a weighted Minkowski distance between a commercial brand and each political party over all 48 brand image attributes in the BAV database. Then, we compute the relative distance from this brand to both parties.

The Minkowski distance of order *p* between points X and Y in the n-dimensional space is calculated as $DistanceXY = \left(\sum_{j=1}^{n} \left| (X_j - Y_j) \right|^p \right)^{1/p}$. Through parameter *p*, the Minkowski distance generalizes to many popular distance metrics. For example, the Minkowski distance with *p*=1 is equivalent to the Manhattan/City-Block distance, with *p*=2 it is equivalent to the Euclidean distance, and with *p*→∞ to the Chebyshev distance.

As Figure 2 shows, only some of the 48 personality traits in the BAV data are meaningful differentiators between the Republican and Democratic Parties. The parties are perceived differently on *Progressive*, *Daring*, *Independent*, *Restrained*, *Arrogant*, and *Dynamic*, but they are very similar on *Rugged*, *Innovative*, *Healthy*, *Straightforward*, *Unique*, and *Fun*. According to Tversky's (1977) diagnosticity principle, features that are shared are devoid of diagnostic value, and features that are not shared become more salient and have greater influence on perceived similarity judgements. That is, some of the brand image dimensions are likely more relevant to understanding and measuring brand PP and, as such, should receive higher weights. We use a weighted Minkowski distance formula to accommodate this insight. We weigh each of the 48 brand image dimensions by the degree to which this dimension serves as a differentiator between the Republican and Democratic Party brand images. We compute the weight for the perceptual image attribute *j* as the absolute value of the difference between the Republican and the Democratic Party's BAV scores on item *j* at time *t* scaled by the sum of absolute distances over all 48 attributes:

$$\omega_{jt} = \frac{\left| b_{jt}^{RepParty} - b_{jt}^{DemParty} \right|}{\sum_{j=1}^{48} \left| b_{jt}^{RepParty} - b_{jt}^{DemParty} \right|}, \text{ where} \tag{1}$$

$b_{jt}^{RepParty}$ is the BAV score of the Republican Party and $b_{jt}^{DemParty}$ is the BAV score of the Democratic Party on brand image dimension *j* at time *t*.

We compute the distance between brand *i* to the Republican Party at time *t* as

$$RepDistance_{it} = \left(\sum_{j=1}^{48} \left| \omega_{jt}(b_{ijt} - b_{jt}^{RepParty}) \right|^p \right)^{1/p}, \text{ where} \tag{2}$$

b_{ijt} is the BAV score of brand *i* on dimension *j* at time *t*. The distance to the Democratic Party ($DemDistance_{it}$) is defined similarly.

Finally, we compute the PP score as the relative distance to the two parties:

$$PP_{it} = RepDistance_{it} - DemDistance_{it}. \tag{3}$$

Positive scores of the PP_{it} metric indicate relative closeness to the Democratic Party, and negative scores indicate relative closeness to the Republican Party.

Selecting Minkowski p

We select Minkowski $p=1.8$ after a grid search for the value of p that maximizes the agreement on brand partisanship identification between the PP measure and human raters participating in a lab experiment. Specifically, we conducted a lab study in which 216 subjects were presented with names of commercial brands and were asked to indicate whether they viewed these brands as Democratic or Republican. For each brand, subjects were given three options: "Republican," "Democratic," and "I do not know this brand." We conducted the study in October-November 2019. We included 650 brands from the BAV 2019q3 data and presented them in randomized blocks of 15–16 brand names with randomized ordering. An individual subject could evaluate a maximum of up to six blocks during a lab session. We have an average of 66 (max=94) evaluations per respondent (responses were not forced; subjects could skip some or all brands on the list). Three hundred sixty-eight of the 650 brands in the study were familiar to at least 70% of lab participants and received at least five evaluations.

Figure 4 presents the hit rate across various values of Minkowski p. That is, for the 368 brands with high familiarity and at least five subject evaluations, we computed a PP score using the 48 BAV brand image items for each Minkowski p in the [0.1; 7] range. Next, we computed the lab-based brand partisanship score for each brand i as *Lab-Partisanship$_i$ = (Number of "Democratic" Votes$_i$ – Number of "Republican" Votes$_i$) / (Total number of Votes$_i$)*. High positive values of *Lab-Partisanship* indicate a brand is perceived as Democratic and high negative values indicate it is perceived as Republican by a large majority of the study subjects.

Figure 4. Hit Rate across BAV PP and Lab Evaluations of Brand Partisanship

This graph presents the percent overlap of the 20% tails of the PP (BAV data) and the lab-based human subject evaluations of brand partisanship distributions across different Minkowski p values. 386 brands. 216 lab subjects. An average of 18 evaluations per brand (min=5, max= 53).
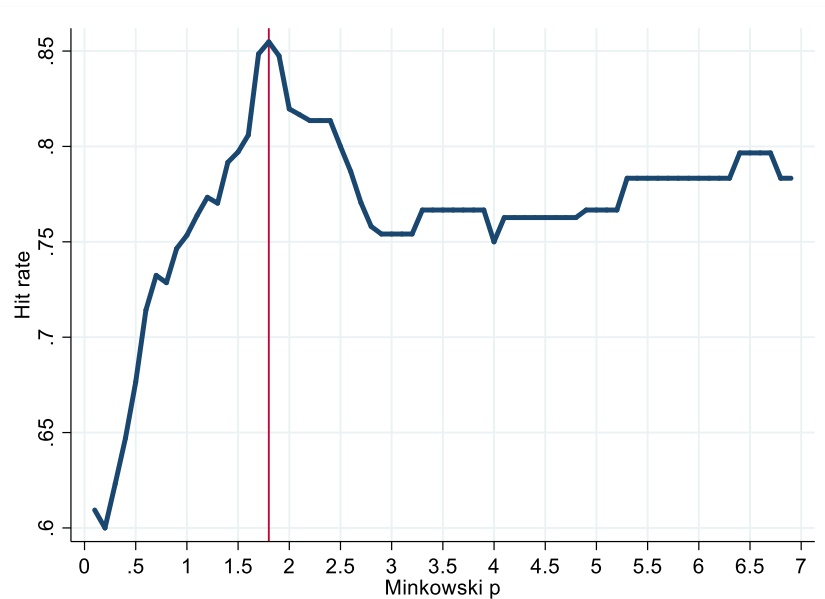

Figure 4 plots the percentage of the brands in our study sample that simultaneously fall into the top 20% of the PP distribution and the top 20% of the *Lab-Partisanship* distribution (i.e., brand is simultaneously identified by the BAV-based PP metric and by a large majority of the lab participants as "Democratic") or simultaneously fall into the bottom 20% of the distribution for both the BAV-based PP scores and the *Lab-Partisanship* scores (i.e., brand is simultaneously identified by the BAV-based PP metric and by a large majority of the lab participants as "Republican"). The identification hit rate increases initially with increasing Minkowski p, until it reaches 86% at p=1.8. After that point, it declines until Minkowski p=2.8, before it settles in the range of 75%–80% thereafter. For the results we present in this study, we use Minkowski p=1.8, but our findings are stable for other Minkowski p values in the 1.8 region. Using the Euclidean distance (Minkowski p=2), for example, generates similar results to those we report.

Figure 5 presents the distribution of the PP scores in our data sample of 367 publicly traded firms for Minkowski p=1.8.

Figure 5. Distribution of PP Scores in the Study Sample (367 brands, Minkowski *p*=1.8)
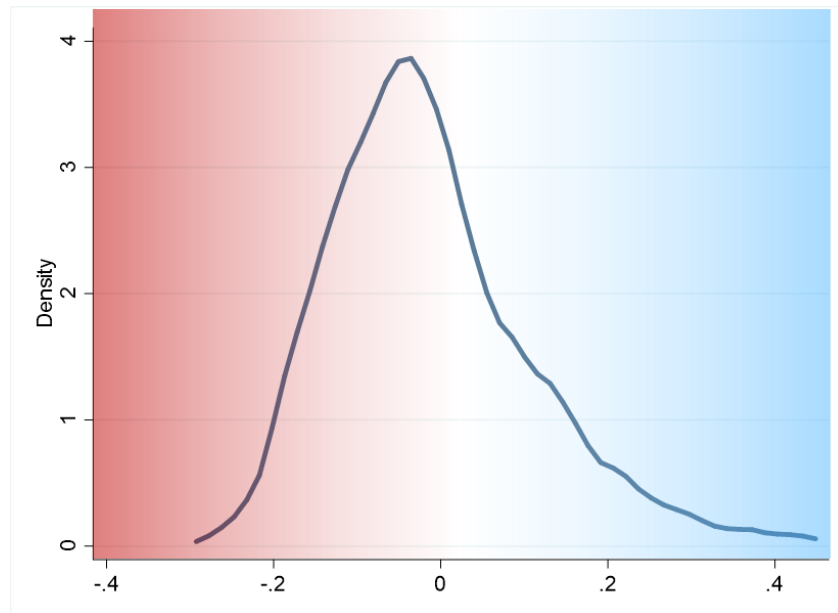
Top Republican brands in 2016Q3	Top Democratic brands in 2016Q3
IDT	Google
Flagstar Bank	Apple
BP	Tesla
EarthLink	Microsoft
Sun Trust	Facebook
Tiffany & Company	Amazon.com
Xplore	Lockheed Martin
Prudential Insurance	Sony
Duke Energy	Western Digital
Belmond	State Street

Empirical Analyses: Financial Impact of Brand Political Positioning

Model-Free Evidence

If PP has implications for firm performance, we should be able to observe its effects at the time

of a political regime change. Figure 6 presents daily stock market performance of a $1,000

investment placed into one of the three portfolios on September 1, 2016. The green line

represents the market (S&P500) portfolio performance. The red line represents performance of

the Republican portfolio, which includes the top 125 Republican firms (bottom 33% of the PP

score distribution in 2016Q3). The blue line represents performance of the top 125 Democratic

firm portfolios (top 33% of the PP score distribution in 2016Q3).

Figure 6. Performance of Republican and Democratic Firm Portfolios

The graph presents portfolio performance for the Republican firms (lower 33% of the PP score distribution for 2016q3), Democratic firms (top 33% of the PP score distribution for 2016q3), and the S&P500 for September 2016-January 2017. The Republican and Democratic firm portfolios are formed based on the 2016Q3 BAV data and the PP with Minkowski *p*=1.8. Red vertical line denotes the election date (November 8, 2016).
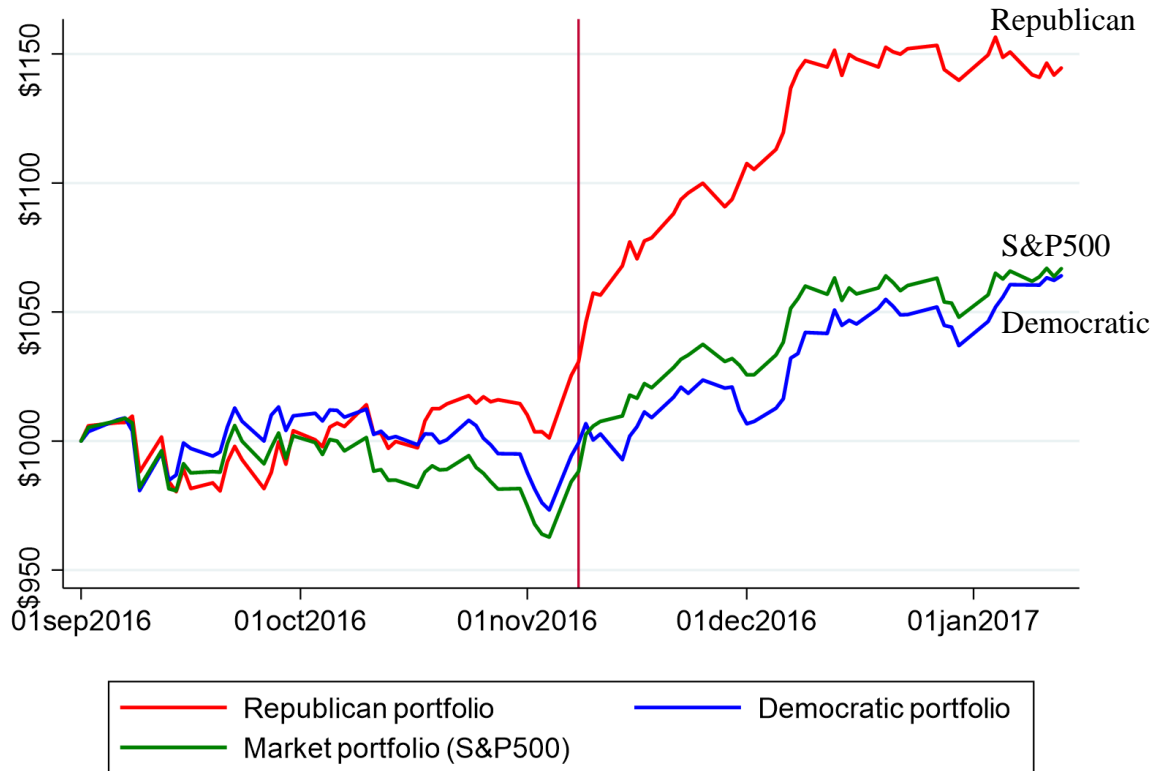
We see no notable differences in performance of the three portfolios before the election date of November 8, 2016. Following the election, the Democratic portfolio immediately loses some value but later performs largely at par with the S&P500 portfolio (p=.15 for December 30, 2016). The portfolio of Republican firms, on the other hand, begins to outperform the S&P500 and Democratic portfolios after the election (p=.0041 and p=.0015, respectively, for December 30, 2016). Although the observed pattern is interesting, a formal empirical testing is needed to assess the significance and the economic impact of the effects suggested by this chart.

2016 Presidential Election Event Study: Base Model

The 2016 presidential election in the US offers an excellent context to test the economic relevance of PP to firm performance. The 2016 election outcome was to a large extent a surprise,

and the unexpected nature of the election outcome makes the event study method particularly suitable here. Event studies allow assessing the impact of an unexpected event (Republican win) on firm valuation. The observed change in the valuation reflects the change in the unbiased expectations of the firm's future performance (MacKinlay 1997).

We assess the financial impact of the brand PP using standard event study methodology. That is, we use an asset-pricing model to compute abnormal daily returns and examine the statistical significance of cumulative abnormal returns around the date of the 2016 presidential election. We report results based on Fama and French's (2015) five-factor model augmented with Carhart's (1997) momentum factor, but the choice of the specific asset-pricing model (e.g., market model, other Fama-French models) does not alter our results or conclusions.

For each firm included in our analyses, we estimate the following asset-pricing model in the [-254; -21] window preceding the announcement of the election results:

$$Ret_{it} - R_{Ft} = a_i + b_{i1} * MKTRF_t + b_{i2} * SMB_t + b_{i3} * HML_t + b_{i4} * UMD_t$$
$$+ b_{i5} * RMW_t + b_{i6} * CMA_t + e_{it}, \tag{4}$$

where Ret_{it} is the stock return of company i, R_{Ft} is the risk-free rate, $MKTRF_t$ is the market return, SMB_t is the difference in returns for small and large (market capitalization) firms, HML_t is the difference in returns for high- and low-value (book-to-market ratio) firms, UMD_t is the Carhart (1997) momentum factor, RMW_t is the difference in returns for robust and weak firms on the operating profitability, and CMA_t is the difference in returns for firms with conservative and aggressive investment portfolios. We use the estimated coefficients from this model to compute abnormal returns for each firm around the election date.

Table 3, Panel A, reports average daily abnormal returns for the [-10, 10] days around the election date for our sample as a whole and for two subsamples created with a median split on

our PP metric. We do not observe any consistent patterns prior to November 8, 2016. Following

the election day, however, we see several consecutive days with significantly positive average

daily abnormal returns for the firms with low PP (i.e., firms with a Republican brand image).

Next, we aggregate the daily abnormal returns over various event windows and compute

cumulative abnormal returns in the $[\underline{w}; \overline{w}]$ window as $\text{CAR}_i^{[\underline{w},\overline{w}]} = \sum_{\underline{w}}^{\overline{w}} AR_{it}$. We estimate the

following model to assess the implications of brand PP around the 2016 presidential election:

$$\text{CAR}_i^{[\underline{w},\overline{w}]} = a_0 + a_1 PP_{i,2016q3}^{Rep} + a_2 FirmRepContrib_i + a_3 FirmDemContrib_i$$

$$+ a_4 CEORepContrib_i + a_5 CEODemContrib_i + a_6 FirmTotalContrib_i \quad (5)$$

$$+\sum \gamma_n Control_n + \epsilon_i,$$

where $PP_{i,2016q3}^{Rep}$ is the dummy variable equal to 1 if the 2016q3 measure of PP for firm *i* is in the

bottom half of $PP_{i,2016q3}$ distribution, and 0 otherwise. $FirmRep(Dem)Contrib_i$ is the total

value of financial contributions by firm *i* (i.e., its PACs, their individual members, employees,

owners, and those individuals' immediate families) to the Republican (Democratic) Party and

federal candidates in the 2012, 2014, and 2016 election cycles scaled by the firm's total

assets. $FirmTotalContrib_i$ is the total value of all firm *i* contributions to political parties.

$CEORep(Dem)Contrib_i$ is the total value of financial contributions by the CEO of firm *i* to the

Republican (Democratic) Party and federal candidates in the 2012, 2014, and 2016 election

cycles scaled by firm's total assets. We include CEO contributions as a separate predictor to

address the impact of CEO political ideology on firm value (Kashmiri and Mahajan 2017).

We include several controls in our model. Age_i is the age of firm *i* as of 2016, obtained

from public sources (e.g., annual reports, wikipedia.org). We include it to control for the

potential association of more mature brands with the brand perceptions of *Traditional* and

Classic (significant descriptors of the Republican Party image) and because it shows a significant

negative correlation with the firm and CEO financial contributions to the Democratic Party

(Table 1, Panel B). We include industry controls to control for the potential perceptual

association of a specific industry with a political party (e.g., finance-Republican) and any

potential expectations of (un)favorable policy changes after the election.

We also include controls for major corporate events and announcements occurring during

our event study window. For example, 69 firms in our sample announced earnings during the

[1;10] event study window of November 7– November 23, 2016. We calculated and included a

measure of earnings surprise ($Earnings\ surprise_i$) using the IBES dataset. Specifically, we

computed the median percentage of earnings surprise (*[Actual EPS-Forecast EPS$_j$]/Forecast

EPS$_j$*) across all analysts (*j*) issuing or revising their forecasts within 100 calendar days prior to

the earnings announcement date.

We include controls for M&A activity and alliance announcements occurring during

November 7–November 23, 2016. *M&A Acquiror Announcement$_i$* variable is an indicator of

M&A announcement for acquirors. Sixteen firms were mentioned in an M&A announcement

and designated as the acquirer. *M&A Target Announcement$_i$* is an indicator of M&A

announcement for targets. Six firms were mentioned in M&A announcements and designated as

the target. Finally, we also include an indicator for alliance announcements (*Alliance

Announcement$_i$*). We have 35 firms announcing a new alliance during November 7–November

23, 2016. All these data come from the SDC Platinum.

Table 3, Panel B, reports the results of our analyses for [1;1], [1;3], [1;5], and [1;10]

event windows. Consistent with Hypothesis 1, we find a significant differential in the stock

market reaction depending on the value of PP in the 2016q3. The coefficients on $PP_{i,2016q3}^{Rep}$,

which estimate the differential between the firms with a Republican versus Democratic brand image (the base case of the Democratic brand image firms is captured in the constant), are positive and become more significant in the 10-day event window. Ten days after the election, we see a 1.7% value differential (p=.039) between firms with a Republican versus Democratic brand image. This effect is incremental and cannot be attributed to the other factors (e.g., industry affiliation, political contributions by the firm and its CEO).

Consistent with past research, and despite the relatively small sample of firms we are working with (N=367), we find the pattern of positive market valuation of firm and CEO donations to the winning (Republican) political party and a negative market valuation of firm and CEO donations to the losing (Democratic) political party. In our study sample, the estimates of *CEO Republican Contributions* are positive and highly significant, and the *Firm Republican Contributions* are positive and marginally significant (p=.058 in 10-day event window). The estimates of *Firm Democratic Contributions* are negative and significant (p=.025 in the 10-day window). We also find consistently negative estimates of *CEO Democratic Contributions*, but these estimates are not significant. Consistent with Shon (2010), we find a positive and significant market valuation of the overall (total) value of firm contributions to political parties and candidates: the estimates on *Firm Total Contributions* are all positive and highly significant. As expected, we also find a positive and significant market reaction to earnings announcements. The *Earnings Surprise* estimate is positive and highly significant in all event windows. *Alliance Announcement* has a positive and significant effect in our 10-day event window.

2016 Presidential Election Event Study: The Role of Consumer-Facing Firms

We have postulated that the positive market reaction might be driven by the expectations of a relative shift in demand to the products of firms whose brand image is aligned with the winning

political identity. One point of evidence to support or reject this proposition can be found by assessing the differential market reaction to PP of consumer-facing firms. We expand model (5) to isolate the effects of consumer- versus non-consumer-facing companies:

$$\text{CAR}_i^{[w,\overline{w}]} = a_0 + \delta_1 ConsumerGoodsPP_{i,2016q3}^{Rep}$$

$$+\delta_2 NonConsumerGoodsPP_{i,2016q3}^{Rep} + \delta_3 NonConsumerGoodsPP_{i,2016q3}^{Dem} \tag{6}$$

$$+ a_2 FirmRepContrib_i + a_3 FirmDemContrib_i + a_4 CEORepContrib_i$$

$$+ a_5 CEODemContrib_i + a_6 FirmTotalContrib_i + \sum \gamma_n Control_n + \epsilon_i,$$

where $(Non)ConsumerGoodsPP_{i,2016q3}^{Rep}$ is an indicator variable equal to 1 if firm i is (not) a consumer-facing firm and its $PP_{i,2016q3}^{Rep}$ is equal to 1, and 0 otherwise (i.e., this firm is (not) a consumer-goods firm with a Republican brand image). $NonConsumerGoodsPP_{i,2016q3}^{Dem}$ is equal to 1 if firm i is not a consumer-goods firm and its $PP_{i,2016q3}^{Rep}$ indicator is equal to 0 (i.e., this firm is a non-consumer-goods firm with a Democratic brand image). Two independent raters identified 264 firms in our sample as consumer-facing companies. Any initial discrepancies in their classifications were resolved through discussion and further investigation of firms' business activities. All other variables are defined as previously. The coefficients $\delta_1, \delta_2,$ and δ_3 in this formulation capture the difference between the base case of consumer-facing firms with a Democratic brand image and the other three firm groupings. We expect δ_1 to be positive.

Table 3, Panel C, presents results of estimating model (6). Consistent with our arguments and Hypothesis 2, we find a significant value differential between the consumer-facing firms with Republican versus Democratic brand images. Ten days after the election, the Republican consumer-facing firms are valued 2.5% more than the Democratic consumer-facing firms. We find no other significant differences across the four groupings. Overall, the pattern of results

reported in Panel C suggests that the consumer-facing firms are driving the findings reported in

Table 3, Panel B.

Demand Effects Following the 2016 Presidential Election: Dynamic Fixed-Effects Model

A more direct test of the mechanism underlying the positive market reaction to the corporate

brand image alignment with the image of the winning (vs. losing) political party can be obtained

by examining the demand effects following the Republican presidential win in 2016. We can

examine the dynamics of firm sales in the period immediately following the election. To do so,

we specify a fixed-effects dynamic panel data model (7):

$$Sales_{iq} = a_i + \lambda_{q,\,SIC} + \sum_{j=1}^{4} \phi_j Sales_{i(q-j)}$$

$$+\beta_q Qtr_q * PP_{i,2016q3}^{Rep} + \gamma_q Qtr_q * PP_{i,2016q3}^{Dem} + \epsilon_{iq}, \tag{7}$$

where $Sales_{iq}$ is the size-adjusted value of firm i sales in quarter q (Sales/TotalAssets) and

$Sales_{i(q-j)}$ are its lagged values. $PP_{i,2016q3}^{Rep}$ ($PP_{i,2016q3}^{Dem}$) is the dummy variable equal to 1 if the

2016q3 measure of PP for firm i is in the bottom (top) half of $PP_{i,2016q3}$ distribution, and 0

otherwise. a_i is the firm-specific fixed effect, $\lambda_{q,\,SIC}$ are quarter-industry-specific fixed time

effects, and Qtr_q are quarter-specific indicators. Coefficients β_q and γ_q on the interactions of the

specific time period with the firm PP (Republican or Democratic) are our key estimates of

interest. In the model (7) specification, these estimates capture systematic deviations (if any) in

firm sales levels from the expected firm-specific baseline sales expected given the firm's

historical sales levels, its recent performance, and the industry-quarter-specific operating

conditions (the period-specific industry controls adjust for any variation in sales due to economic

factors and policy effects that apply to a particular industry in a given quarter). We do not

include $PP_{i,2016q3}^{Rep}$ and $PP_{i,2016q3}^{Dem}$ as independent explanatory variables in this specification,

because they are subsumed in the firm-specific fixed effects (there is no variation in these

variables over time for a given firm). We use the Blundell-Bond (1998) system GMM approach with Windmeijer (2005) correction to estimate model (7).

Table 4, Panel A, presents results of estimating model (7). A total of 343 firms in our sample have quarterly sales and total assets data available in the Compustat database for these analyses. Our estimates of the autoregressive structure in the sales series are fully consistent with past research. We find the first and fourth lag of size-adjusted quarterly sales (e.g., 0.319 and 0.643, respectively, in column 1) to be the strongest predictors of current-quarter sales (e.g., similar to 0.28 and 0.67, respectively, in Mizik 2014, p. 698).

Column 1 presents the results of the model focusing on the one-year period following the 2016 election. $Qtr_{2016q4-2017q3}$ in this model is defined as equal to 1 in the four quarters following the election (2016q4-2017q3), and 0 otherwise. $Qtr_{q>2017q3}$ is equal to 1 in the subsequent quarters (after 2017q3), and 0 otherwise. The estimates on their interactions with $PP_{i2016q3}^{Rep}$ and $PP_{i2016q3}^{Dem}$ capture systematic deviations of sales series from their expected levels for these periods. We see no significant deviations of sales for firms with the Republican brands (estimates of $PP_{i2016q3}^{Rep}$ interactions with the time indicators for one year after the election and for the subsequent period after 2017q3 are both small and insignificant). We do, however, find a significant decline in sales for firms with the Democratic-image brands. In the year immediately following the 2016 election, quarterly size-adjusted sales of these firms are -0.012 lower (p= .005) than they should have been based on the firm- and time-specific industry dynamics. They remain lower in the subsequent (post-2017q3) quarters (-0.017, p=.011).

What is the economic significance of this estimated effect in terms of actual sales? A median firm in our sample has sales of $2,001M and total assets of $10,502M, resulting in .191 size-adjusted sales (Sales/Total Assets). The estimated effect of -0.012 represents a 6.3%

reduction in firm size-adjusted sales, or a \$126M drop in quarterly sales for our median firm for each of the 2016q4-2017q3 quarters.

Column 2 in Table 4, Panel A, presents the results of the model decomposing the one-year average effect into four individual quarters, allowing us to examine the dynamics of firm sales more precisely. Again, we find no significant anomalies in the sales series for firms with Republican brands following the 2016 election. But we do find a large and significant drop in the sales series occurring in 2016q4 (i.e., immediately after the election and before inauguration) for firms with Democratic-image brands. This finding is significant: it supports a consumer-driven mechanism (in contrast to a policy-driven effect). We also see negative and marginally significant sales effects in 2017q1 and 2017q2. Interestingly, although we find significant negative sales effects for firms with brands reflecting the losing (Democratic) party image, we are not able to isolate significant positive effects for the winning (Republican) party brands. This finding is in line with related work by Knight (2006), who finds a greater loss for firms in Gore-favored industries compared to gains for Bush-favored industries in the 2004 election.

Demand Effects Following the 2016 Presidential Election: Role of Consumer-Facing Firms

If the shift in consumer preferences is driving the observed changes in sales, the sales effect for consumer-facing firms should be more pronounced. We expand model (7) to isolate the effects for consumer-facing and business-to-business firms:

$$Sales_{iq} = a_i + \lambda_{q,SIC} + \sum_{j=1}^{4} \phi_j Sales_{i(q-j)}$$

$$+\beta_q Qtr_q * ConsumerGoodsPP_{i,2016q3}^{Rep} + \gamma_q Qtr_q * ConsumerGoodsPP_{i,2016q3}^{Dem} \qquad (8)$$

$$+\eta_q Qtr_q * NonConsumerGoodsPP_{i,2016q3}^{Rep} + \delta_q Qtr_q * NonConsumerGoodsPP_{i,2016q3}^{Dem} + \epsilon_{iq},$$

where $(Non)ConsumerGoodsPP_{i,2016q3}^{Rep}$ is equal to 1 if firm i is (not) a consumer-goods firm and its $PP_{i,2016q3}^{Rep}$ indicator is equal to 1 (i.e., this firm is (not) a consumer-goods firm with a

Republican brand image). $(Non)ConsumerGoodsPP_{i,2016q3}^{Dem}$ is an indicator variable equal to 1

if firm i is (not) a consumer goods firm and its $PP_{i,2016q3}^{Dem}$ is equal to 1, and 0 otherwise (i.e., this

firm is (not) a consumer goods firm with a Democratic brand image). All other variables are

defined as previously.

Table 4, Panel B, presents the results of estimating model (8). Our estimates of the

autoregressive structure in sales series (not reported for brevity) are unchanged and we find no

significant deviations of sales series for the non-consumer-goods firms. For the consumer-goods

firms, we find larger and significantly negative sales for firms with a Democratic brand image

after the election and, importantly, in the fourth quarter of 2016 (i.e., immediately after the

election). These findings further support the consumer-driven mechanism we proposed.

We undertook multiple sensitivity tests to ensure the validity of our model. For example,

we examined the sales series in the period preceding the election and found no differences

between the Republican and Democratic firms and no systematic deviations from expected

levels. We tested expanded models with additional controls (e.g., firm operating expenditures,

R&D, SG&A, goodwill, etc.), and found our results generally unaffected by their inclusion.

Presidential Net Approval Ratings Post-Inauguration: Calendar-Time Portfolio Analysis

We extend our analyses of brand image alignment with the winning/ruling political identity to a

more dynamic setting with high(er)-frequency data. If our reasoning about the effects of brand

PP on consumer preferences and behavior is valid, we should be able to observe these effects in

other settings and, possibly, even with small changes in public sentiment. We examine the

change in firm valuation as a function of public approval of the new administration's

performance. Do public perceptions of the key political entities affect future financial

performance (as reflected in their stock market valuation) of the firms whose brands are similar

to the brand images of these entities? We reason that as public opinion shifts, so will the

consumer tastes for the commercial brands perceptually associated with these political entities.

We obtain daily polling data on presidential approval/disapproval for January 7, 2017–

September 30, 2019, and examine whether President Trump's approval ratings affect the

valuation of firms whose brands are more similar to the Donald Trump (vs. the Democratic

Party) brand. We use quarterly data from BAV to compute a PP metric with the Donald Trump

versus the Democratic Party reference brands. The daily presidential approval and disapproval

ratings data come from fivethirtyeight.com. These data aggregate ratings across multiple national

polls. The approval and disapproval are tracked separately (Figure 7). We use the *Net Approval*

(the difference between approval and disapproval score) as our variable of interest and include it

as an additional risk factor in a standard calendar-time portfolio model.

Figure 7. Donald Trump Daily Approval, Disapproval, and Net Approval Ratings
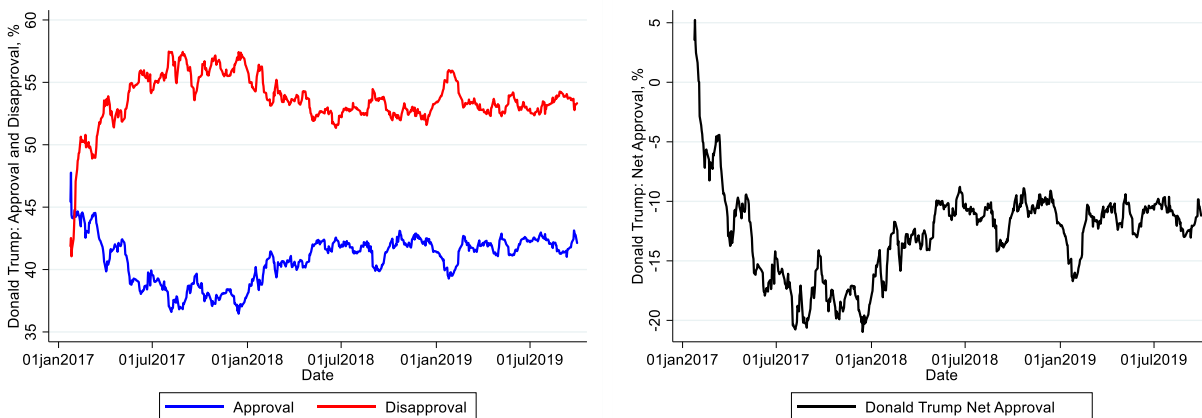
We use the calendar-time portfolio method. That is, we form value-weighted portfolios of

firms based on the *PP(Trump-Democratic Party)* score: the top 33% of firms on the PP

distribution are placed in the Democratic PP portfolio and the bottom 33% are placed in the

Donald Trump PP portfolio. We rebalance these portfolios every quarter as the new BAV data

become available. We have an average of 115 brands in each portfolio in each quarter. Then, we

estimate the Fama and French (2015) five-factor asset-pricing model augmented with momentum (Carhart 1997) and three lags (Lewellen and Nagel 2006 correction for high-frequency data) for each portfolio. Because of the quarterly rebalancing, the composition of the portfolios changes every quarter, and their risk profile changes over time. To address the changing risk profile of the portfolios, we allow the risk factor loadings to vary over time (Jacobson and Mizik 2009):

$$Ret_{pt} - R_{Ft} = a_p + \sum_{\tau=0}^{3} b_{1pq\tau} * MKTRF_{t-\tau} + \sum_{\tau=0}^{3} b_{2pq\tau} * SMB_{t-\tau}$$

$$+ \sum_{\tau=0}^{3} b_{3pq\tau} * HML_{t-\tau} + \sum_{\tau=0}^{3} b_{4pq\tau} * UMD_{t-\tau} + \sum_{\tau=0}^{3} b_{5pq\tau} * RMW_{t-\tau} \tag{9}$$

$$+ \sum_{\tau=0}^{3} b_{6pq\tau} * CMA_{t-\tau} + \gamma_p(NetApproval_t - NetApproval_{t-1}) + e_{pt},$$

where $(Ret_{pt} - R_{Ft})$ is the portfolio p return minus the risk-free return. a_p is the Alpha estimate for portfolio p. $MKTRF_{t-\tau}$, $HML_{t-\tau}$, $UMD_{t-\tau}$, $RMW_{t-\tau}$, and $CMA_{t-\tau}$ are the risk factors and their three lags. Risk factor loadings $b_{pq\tau}$ vary by quarter. $(NetApproval_t - NetApproval_{t-1})$ is first-order change in the president's *Net Approval* ratings, and γ is our key estimate of interest.

Table 5, Panel A, reports results of estimating model (9). Consistent with our arguments, we find that the value of the portfolio with Donald Trump–like brands increases (.018, p=.028) and the value of the portfolio with Democratic Party–like brands decreases (-.020, p=.001) with increases in the presidential net approval ratings. The differential between the Donald Trump and Democratic PP portfolios is also highly significant (p=.008). Interestingly, we also find a small mispricing of Trump-like firms: the estimate of the portfolio Alpha is small, positive, and significant (p=.032). This estimate accrues to a 3.8% annual return ($[1+0.00015]^{250}$ -1).

Table 5, Panel B, reports model (9) results for consumer-facing firms. We find a similar pattern of results. The positive estimate of presidential net approval ratings is somewhat more significant, and the negative effect for the Democratic Party–like brands, still negative, becomes insignificant. The Alpha for the Trump-like portfolio is still positive and significant (p=.006).

In our sensitivity analyses, we tested the presidential *Approval* and *Disapproval* ratings separately and found that the *Disapproval* ratings have a stronger signal and association with portfolio returns than the *Approval* ratings. We also tested whether other factors can be affecting these results. For example, we formed our portfolios based on the PP measure adjusted for these factors. That is, we first regressed *PP(Trump vs. Democratic Party)* scores on firm observables, such as industry affiliation, political contributions, firm age, and so on, and used the residuals from this regression to form our portfolios. Our findings hold.

Sensitivity Analyses

We undertook multiple sensitivity analyses for our event study, sales, and CTP models, and found that our findings are robust. For example, we tested the robustness of our findings with respect to the Minkowski p and found results stable around $p = 1.8$. We also tested a restricted set of BAV items for computing PP measures (eliminating those we judged as less descriptive of personality characteristics), and found our results are stable. Our event study findings hold when we restrict our sample to firms with non-zero firm donations to political parties (265 observations): the effect of PP is still significant, and the estimated effects of donations become more significant in this smaller sample. We examined and found no differences in abnormal returns in the days preceding the election [-10 to -1].

Our sales findings are robust to Arellano-Bond's (1991) test for serial correlation, starting year of the estimation sample, the number of lagged IVs used, and the value of Minkowski p around 1.8. The system GMM we use for estimating models (7) and (8) requires two specific assumptions to hold. A condition for consistency is the absence of autocorrelation in errors of orders higher than one. This assumption is testable with Arellano and Bond's (1991) test for serial correlation. As we report in Table 4, this test is satisfied. Another assumption refers to the

initial conditions. Lagged IVs are valid only if time-invariant fixed effect a_i is uncorrelated with the first difference in panel i ($\Delta sales_{i2}$). We varied the starting year of the estimation data sample to validate this assumption. Our results are not sensitive to the data start year. We also find the results we report are not sensitive to the number of lags used as IVs. We always use "collapse" option (Stata xtabond2 routine) for the lagged IVs (Roodman 2009) to prevent instrument proliferation and keep the number of IVs small (14 to 30). With 343 panels, our largest IV set is more conservative than conventional rule of thumb (number of IVs ≤ number of panels).

Our calendar-time portfolio results are stable across different lags of the Lewellen-Nagel correction, asset-pricing model, and systematically varying parameter specifications.

Conclusion

Brand positioning questions have received little academic attention in the marketing literature in recent years. We argue this area is an important and impactful one to explore.

We propose a construct of brand political positioning (perceptual closeness of a commercial brand to the Republican versus Democratic Party's brand image) and show its economic significance for firm valuation and sales. We also propose a mechanism to explain the observed effects on firm valuation and sales—consumers' shifting preferences toward (away from) the brands perceptually associated with the winning (losing) political party. We show supporting evidence for the proposed mechanism: the valuation effects are stronger for consumer-facing firms, the sales react immediately after the election (before inauguration), and the firm value is tied to the public sentiment toward the political entity to which the commercial brand is perceptually similar.

Table 1. Summary Statistics

Table 1 Panel A. Descriptive Statistics

	N	Mean	SD	P5	P50	P95
PP	4,496	0.040	0.175	-0.325	0.062	0.348
Firm Rep Contributions ($)	367	882,452	1,821,947	0	90,000	5,322,022
Firm Dem Contributions ($)	367	642,957	1,266,315	0	103,305	3,463,116
CEO Rep Contributions ($)	367	3,083	14,578	0	0	13,700
CEO Dem Contributions ($)	367	1,778	7,529	0	0	10,600
Firm Age in 2016	367	68.247	49.629	12	50	165
Total Assets ($M)	17,988	94,175	297,252	332.200	10,502	361,402
Sales Intensity	17,988	0.254	0.199	0.014	0.211	0.618
Daily Stock Returns	428,510	0.000	0.023	-0.031	0.000	0.029
President Trump's Net Approval	677	-0.127	0.038	-0.192	-0.118	-0.071

Table 1 Panel B. Cross-Sectional Correlations, 2016Q3

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) PP	1.00							
(2) Firm Rep Contributions[a]	-0.05	1.00						
(3) Firm Dem Contributions[a]	0.01	0.80***	1.00					
(4) CEO Rep Contributions[a]	-0.03	0.12**	0.07	1.00				
(5) CEO Dem Contributions[a]	-0.01	0.15***	0.18***	0.04	1.00			
(6) Firm Age in 2016	-0.08	-0.05	-0.09*	-0.08	-0.13**	1.00		
(7) Total Assets	-0.03	-0.07	-0.08	-0.03	-0.06	0.25***	1.00	
(8) Sales Intensity	-0.02	0.11**	0.01	0.12**	0.07	-0.22***	-0.28***	1.00

[a] Firm and CEO contributions are scaled by firm total assets. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 1 Panel C. Variable Definitions

Variable Name	Variable Definition, Data Source, Frequency
PP	Brand political positioning, relative distance to Republican vs. Democratic Party brand image calculated as the weighted Minkowski distance (p=1.8) across 48 brand image attributes. Y&R BAV, 2016Q3-2019Q3, quarterly.
Firm Republican (Democratic) Contributions	Total contributions from PACs, individuals, and soft-money donors, giving $200 or more, to federal candidates and political parties, as reported to the Federal Election Commission and compiled by the Center for Responsive Politics. The organizations themselves did not donate; rather, the money came from the organizations' PACs, their individual members, employees, owners, and those individuals' immediate families. Totals include firm subsidiaries and affiliates. opensecrets.org, 2012, 2014, and 2016 election cycles.
CEO Republican (Democratic) Contributions	Total contributions by the company CEO to the Republican (Democratic) Party entities in the 2012, 2014, and 2016 election cycles. Federal Election Commission (fec.gov).
Firm Age in 2016	Public sources, e.g., company websites, Wikipedia.
Total Assets	ATQ data item. COMPUSTAT, 2005Q1-2019Q3, quarterly.
Sales Intensity	SALEQ/ATQ. COMPUSTAT, 2005Q1-2019Q3, quarterly.
Stock Returns	CRSP, October 28, 2015–September 30, 2019, daily.
President Trump's Net Approval	Net Approval is the difference between the approval and disapproval ratings, which are calculated across all available polls, accounting for each poll's quality, recency, sample size, and partisan lean. Sourced from fivethirtyeight.com for January 23, 2017–September 30, 2019, daily.

Table 2. Key Brand Image Descriptors

Table presents top three descriptors of brand image for political parties, presidential candidates, and a small subset of commercial brands in 2016Q3.

	Top attribute	2nd-Top attribute	3rd-Top attribute
Parties and Candidates:			
Republican Party	Arrogant	Unapproachable	Restrained
Democratic Party	Arrogant	Unapproachable	Progressive
Donald Trump	Arrogant	Unapproachable	Daring
Hillary Clinton	Arrogant	Unapproachable	Intelligent
Commercial Brands:			
Apple	Progressive	Innovative	Visionary
BP	Arrogant	Carefree	Straightforward
EarthLink	Simple	Different	Rugged
IDT	Restrained	Independent	Different
Lockheed Martin	Visionary	Progressive	Innovative
Microsoft	Innovative	Intelligent	Visionary
Tesla	Progressive	Innovative	Different

Table 3. Event Study Analyses

Table 3. Panel A. Average Abnormal Daily Stock Returns around 2016 Election

Table presents daily average abnormal returns (p-values) in the [-10; 10] window around the 2016 presidential election (November 8, 2016) for the full sample and two subsamples based on the median split on the political positioning metric calculated from 2016q3 BAV data.

Day	Full Sample		Democratic subsample $PP_{i2016q3}^{Dem} = 1$ ($PP_{i2016q3} > median(PP_{i2016q3})$)		Republican subsample $PP_{i2016q3}^{Dem} = 0$ ($PP_{i2016q3} < median(PP_{i2016q3})$)	
[-10]	-0.003	(0.014)	-0.003	(0.056)	-0.002	(0.113)
[-9]	0.002	(0.228)	0.001	(0.636)	0.002	(0.237)
[-8]	0.000	(0.896)	0.001	(0.734)	0.000	(0.899)
[-7]	0.006	(0.000)	0.005	(0.000)	0.007	(0.000)
[-6]	0.001	(0.541)	0.000	(0.919)	0.001	(0.479)
[-5]	-0.001	(0.533)	0.000	(0.850)	-0.001	(0.488)
[-4]	0.001	(0.405)	0.002	(0.258)	0.000	(0.913)
[-3]	0.002	(0.137)	0.001	(0.365)	0.002	(0.236)
[-2]	0.000	(0.851)	0.000	(0.899)	0.000	(0.890)
[-1]	-0.001	(0.286)	-0.003	(0.033)	0.000	(0.996)
[0] Nov. 8, 2016	-0.001	(0.331)	-0.002	(0.371)	-0.001	(0.629)
[1]	**-0.004**	**(0.007)**	-0.003	(0.223)	**-0.006**	**(0.007)**
[2]	**0.003**	**(0.047)**	0.001	(0.775)	**0.006**	**(0.014)**
[3]	**0.002**	**(0.074)**	0.001	(0.665)	**0.004**	**(0.060)**
[4]	**0.004**	**(0.002)**	0.001	(0.527)	**0.007**	**(0.001)**
[5]	-0.002	(0.099)	-0.001	(0.603)	-0.003	(0.065)
[6]	-0.001	(0.440)	0.000	(0.846)	-0.001	(0.370)
[7]	0.002	(0.025)	0.001	(0.356)	0.003	(0.032)
[8]	-0.002	(0.048)	-0.003	(0.060)	-0.001	(0.369)
[9]	-0.002	(0.016)	-0.003	(0.088)	-0.002	(0.065)
[10]	0.003	(0.012)	0.003	(0.078)	0.003	(0.074)

Table 3. Panel B. Base Model

The table presents regression of the cumulative abnormal returns in the event windows immediately following the 2016 presidential election.

VARIABLES	(1) CAR[1,1]	(2) CAR[1,3]	(3) CAR[1,5]	(4) CAR[1,10]
Constant	-0.002	-0.006	-0.006	-0.009
	(0.628)	(0.312)	(0.359)	(0.280)
$PP^{Rep}_{i,2016q3}$	-0.001	0.010*	0.011*	0.017**
	(0.666)	(0.083)	(0.098)	(0.039)
Firm Republican Contributions[a]	0.006	-0.019	0.025	0.091*
	(0.695)	(0.541)	(0.436)	(0.058)
Firm Democratic Contributions[a]	-0.026	-0.037	-0.071*	-0.134**
	(0.173)	(0.387)	(0.098)	(0.025)
Firm Total Contributions	0.002***	0.003***	0.003***	0.002**
	(0.001)	(0.000)	(0.000)	(0.032)
CEO Republican Contributions[a]	0.146***	0.297***	0.558***	0.750***
	(0.000)	(0.000)	(0.000)	(0.001)
CEO Democratic Contributions[a]	-0.161	-0.481	-0.431	-1.423
	(0.815)	(0.723)	(0.794)	(0.314)
Firm Age[b]	-0.001	-0.007	-0.007	-0.009
	(0.818)	(0.223)	(0.302)	(0.242)
Earnings Surprise	0.018**	0.065***	0.076***	0.100***
	(0.025)	(0.003)	(0.001)	(0.001)
M&A Target Announcement	-0.012	-0.024	-0.027	0.008
	(0.169)	(0.218)	(0.328)	(0.877)
M&A Acquiror Announcement	0.015*	0.017	0.017	0.013
	(0.073)	(0.106)	(0.219)	(0.420)
Alliance Announcement	0.003	0.015*	0.006	0.025**
	(0.386)	(0.073)	(0.453)	(0.050)
Observations	367	367	367	367
R-squared	0.061	0.096	0.080	0.090
R-squared adjusted	0.0321	0.0678	0.0515	0.0615

$PP^{Rep}_{i,2016q3}$ is the indicator variable for firm i equal to 1 if $PP_{i,2016q3}$ is in the bottom half of its distribution (i.e., this firm has a Republican brand image). *Firm Republican (Democratic) Contributions* is the total value of firm contributions to Republican (Democratic) federal candidates and the party in the 2012, 2014, and 2016 election cycles (firms themselves did not donate; rather, the money came from the their PACs, employees, owners, and those individuals' immediate families) scaled by firm total assets. *Firm Total Contributions* is the total value of all firm contributions to political parties and federal candidates. CEO Republican (Democratic) Contributions is the total value of financial contributions by the CEO of firm i to the Republican (Democratic) Party and federal candidates in the 2012, 2014, and 2016 election cycles scaled by the firm's total assets. Firm Age is firm i's age as of 2016. *Earnings Surprise* is the median percentage of earnings surprise calculated for firms announcing earnings during November 7, 2016–November 23, 2016, calculated across all analysts issuing or revising their forecasts within 100 calendar days prior to the earnings announcement date. *M&A Target*, *M&A Acquiror*, and *Alliance Announcement* variables are indicator variables for M&A acquirer and target announcements and for alliance announcements issued for firms in our sample during Nov. 7, 2016–Nov. 23, 2016. CARs are adjusted for industry affiliation. Robust p values in parentheses.
([a]) estimates are scaled by 1,000; ([b]) estimates are scaled by 100 for exposition. *** p<0.01, ** p<0.05, * p<0.1.

Table 3. Panel C. The Role of Consumer-Facing Firms Model

The table presents an expanded regression of the cumulative abnormal returns in the event windows immediately following the 2016 presidential election.

VARIABLES	(5) CAR[1,1]	(6) CAR[1,3]	(7) CAR[1,5]	(8) CAR[1,10]
Constant	-0.002	-0.007	-0.007	-0.011
	(0.595)	(0.242)	(0.309)	(0.197)
$ConsumerGoods \times PP_{i,2016q3}^{Rep}$	0.000	0.014**	0.016*	0.025**
	(0.893)	(0.028)	(0.051)	(0.012)
$NonConsumerGoods \times PP_{i,2016q3}^{Rep}$	-0.006	0.002	0.002	0.003
	(0.253)	(0.869)	(0.853)	(0.797)
$NonConsumerGoods \times PP_{i,2016q3}^{Dem}$	0.000	0.003	0.003	0.008
	(0.959)	(0.720)	(0.783)	(0.482)
Firm Republican Contributions[a]	0.011	-0.009	0.036	0.108**
	(0.490)	(0.780)	(0.292)	(0.029)
Firm Democratic Contributions[a]	-0.028	-0.041	-0.075*	-0.140**
	(0.152)	(0.348)	(0.085)	(0.022)
Firm Total Contributions	0.002***	0.003***	0.003***	0.002**
	(0.000)	(0.000)	(0.000)	(0.014)
CEO Republican Contributions[a]	0.137***	0.277***	0.537***	0.717***
	(0.000)	(0.001)	(0.000)	(0.001)
CEO Democratic Contributions[a]	-0.179	-0.538	-0.487	-1.534
	(0.791)	(0.689)	(0.765)	(0.272)
Firm Age[b]	-0.001	-0.007	-0.007	-0.009
	(0.819)	(0.218)	(0.302)	(0.231)
Earnings Surprise	0.019**	0.065***	0.076***	0.099***
	(0.027)	(0.003)	(0.001)	(0.001)
M&A Target Announcement	-0.013	-0.025	-0.028	0.006
	(0.156)	(0.216)	(0.322)	(0.901)
M&A Acquiror Announcement	0.014*	0.016	0.015	0.010
	(0.087)	(0.151)	(0.275)	(0.545)
Alliance Announcement	0.003	0.015*	0.006	0.024**
	(0.399)	(0.073)	(0.460)	(0.045)
Observations	367	367	367	367
R-squared	0.065	0.101	0.084	0.098
R-squared adjusted	0.0310	0.0682	0.0507	0.0648

$ConsumerGoods \times PP_{i2016q3}^{Rep}$ is an indicator variable equal to 1 if firm i is a consumer-goods firm and its $PP_{i2016q3}^{Rep}$ is equal to 1, and 0 otherwise (i.e., this firm is a consumer-goods firm with a Republican brand image). $NonConsumerGoods \times PP_{i2016q3}^{Dem}$ is an indicator variable that is equal to 1 if the firm i is not a consumer-goods firm and its $PP_{i2016q3}^{Dem}$ indicator is equal to 1 (i.e., this firm is a non-consumer goods firm with a Democratic brand image). $NonConsumerGoods \times PP_{i2016q3}^{Rep}$ is an indicator variable that is equal to 1 if the firm i is not a consumer goods firm and its $PP_{i2016q3}^{Dem}$ indicator is equal to 0 (i.e., this firm is a non-consumer goods firm with a Republican brand image). All other variables are as defined previously in Table 3, Panel B. Robust p values in parentheses. ([a]) estimates are scaled by 1,000; ([b]) estimates are scaled by 100 for exposition. *** p<0.01, ** p<0.05, * p<0.1.

Table 4. Sales Dynamics

Table 4. Panel A. Sales Performance Following 2016 Election

Table presents results of the two-step Blundell-Bond (1998) system GMM estimation of model (7) with Windmeijer (2005) correction.

VARIABLES	(1)		(2)	
Constant	0.002	(0.344)	0.001	(0.482)
$Sales_{i(q-1)}$	0.319***	(0.000)	0.318***	(0.000)
$Sales_{i(q-2)}$	0.098**	(0.021)	0.098**	(0.023)
$Sales_{i(q-3)}$	-0.009	(0.783)	-0.009	(0.783)
$Sales_{i(q-4)}$	0.643***	(0.000)	0.643***	(0.000)
$PP^{Rep}_{i2016q3} \times Qtr_{2016q4-2017q3}$	-0.004	(0.161)		
$PP^{Rep}_{i2016q3} \times Qtr_{2016q4}$			-0.004	(0.179)
$PP^{Rep}_{i2016q3} \times Qtr_{2017q1}$			-0.002	(0.616)
$PP^{Rep}_{i2016q3} \times Qtr_{2017q2}$			-0.005	(0.204)
$PP^{Rep}_{i2016q3} \times Qtr_{2017q3}$			-0.003	(0.396)
$PP^{Rep}_{i2016q3} \times Qtr_{q>2017q3}$	-0.007	(0.122)	-0.005	(0.249)
$PP^{Dem}_{i2016q3} \times Qtr_{2016q4-2017q3}$	-0.012***	(0.005)		
$PP^{Dem}_{i2016q3} \times Qtr_{2016q4}$			-0.011**	(0.012)
$PP^{Dem}_{i2016q3} \times Qtr_{2017q1}$			-0.009*	(0.054)
$PP^{Dem}_{i2016q3} \times Qtr_{2017q2}$			-0.010*	(0.056)
$PP^{Dem}_{i2016q3} \times Qtr_{2017q3}$			-0.010	(0.125)
$PP^{Dem}_{i2016q3} \times Qtr_{q>2017q3}$	-0.017**	(0.011)	-0.013**	(0.034)
Observations	17,988		17,988	
Number of firms	343		343	
AB test p-value	0.836		0.846	
Number of IVs	14		20	
F-stat	60.43		37.94	

Qtr_q is an indicator variable equal to 1 in quarter q, and 0 otherwise. $Qtr_{2016q4-2017q3}$ is an indicator variable equal to 1 if the quarter is 2016q4, 2017q1, 2017q2, or 2017q3, and 0 otherwise. $Qtr_{q>2017q3}$ is an indicator variable equal to 1 for all quarters past 2017q3, and 0 otherwise. All other variables are defined as previously. Windmeijer (2005) p-values in parentheses. AB is the Arellano-Bond (1991) test for serial correlation. *** p<0.01, ** p<0.05, * p<0.1

Table 4. Panel B. Sales Performance Following 2016 Election, Consumer-Facing Firms

Table presents results of the two-step Blundell-Bond (1998) system GMM estimation of model (8) with Windmeijer (2005) correction.

VARIABLES	(3)		(4)	
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2016q4-2017q3}$	-0.005	(0.256)		
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2016q4}$			-0.004	(0.317)
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q1}$			-0.001	(0.806)
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q2}$			-0.004	(0.417)
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q3}$			-0.002	(0.617)
$ConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{q>2017q3}$	-0.008	(0.217)	-0.004	(0.469)
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2016q4-2017q3}$	-0.019***	(0.002)		
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2016q4}$			-0.016***	(0.007)
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q1}$			-0.014**	(0.045)
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q2}$			-0.014*	(0.071)
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q3}$			-0.012	(0.178)
$ConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{q>2017q3}$	-0.028***	(0.006)	-0.017**	(0.045)
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2016q4-2017q3}$	-0.004	(0.433)		
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2016q4}$			-0.004	(0.343)
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q1}$			-0.003	(0.467)
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q2}$			-0.007	(0.151)
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{2017q3}$			-0.005	(0.347)
$NonConsumerGoodsPP_{i2016q3}^{Rep} \times Qtr_{q>2017q3}$	-0.006	(0.233)	-0.008	(0.200)
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2016q4-2017q3}$	0.001	(0.853)		
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2016q4}$			-0.000	(0.975)
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q1}$			-0.001	(0.795)
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q2}$			-0.003	(0.531)
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{2017q3}$			-0.006	(0.107)
$NonConsumerGoodsPP_{i2016q3}^{Dem} \times Qtr_{q>2017q3}$	0.002	(0.791)	-0.005	(0.246)
Observations	17,988		17,988	
Number of firms	343		343	
AB test p-value	0.856		0.858	
Number of IVs	18		30	
F-stat	42.12		23.06	

$(Non)ConsumerGoodsPP_{i,2016q3}^{Dem}$ is an indicator for a (non) consumer-goods firm with a Democratic brand image.
$(Non)ConsumerGoodsPP_{i,2016q3}^{Rep}$ is an indicator for a (non) consumer-goods firm with a Republican brand image.
All other variables are defined as previously. Windmeijer (2005) p-values in parentheses. AB is the Arellano-Bond (1991) test for serial correlation. *** p<0.01, ** p<0.05, * p<0.1

Table 5. Post-Inauguration Performance

The table presents focal results of estimating model (9). We do not report the estimates for quarterly risk factor loadings and their Lewellen-Nagel (2006) lags for brevity. Portfolios are formed to contain equities that fall into the top 33% and bottom 33% of the distribution of *PP(Trump vs. Democratic Party)* metric and are rebalanced (securities added and removed from the portfolio) once every quarter, on the 21st calendar day after the BAV quarterly data collection window opens, to ensure the BAV data used for calculating PP and forming portfolios are temporally aligned and are representative of consumer perceptions as of that date.

Table 5. Panel A. Portfolio Performance Following President Trump's 2017 Inauguration

VARIABLES	(1) Difference in portfolio returns, (2)-(3)	(2) Trump-like portfolio	(3) Democratic Party–like portfolio
Change in Presidential Net Approval Ratings	0.038*** (0.008)	0.018** (0.028)	-0.020*** (0.001)
Alpha	0.00003 (0.90700)	0.00015** (0.03226)	0.00013 (0.55052)
Quarterly Betas Lewellen-Nagel Correction	Yes 3 lags	Yes 3 lags	Yes 3 lags
Observations	676	676	676
R-squared	0.702	0.962	0.952

p-values in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 5. Panel B. Portfolio Performance Following President Trump's 2017 Inauguration for Consumer-Facing Firms Portfolios

VARIABLES	(4) Difference in portfolio returns, (5)-(6)	(5) Trump-like portfolio	(6) Democratic Party–like portfolio
Change in Presidential Net Approval Ratings	0.029* (0.080)	0.015*** (0.0088)	-0.014 (0.301)
Alpha	0.00006 (0.71813)	0.00016*** (0.00636)	0.00010 (0.57765)
Quarterly Betas Lewellen-Nagel Correction	Yes 3 lags	Yes 3 lags	Yes 3 lags
Observations	676	676	676
R-squared	0.714	0.947	0.929

p-values in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

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