

The Applications of Anchoring Effect in The Marketing Field

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Abstract

This article discusses the application of the anchoring effect in marketing. The anchoring effect is a cognitive bias; people will tend to believe the information they were exposed to in the first place, and the information they were exposed to later makes it difficult to change people's views on the information they were first exposed to. This will cause people's decision-making to be affected because they will only judge from the information they are exposed to for the first time. Applying the anchoring effect in marketing, the article discusses three kinds: shopping, advertising, and negotiation skills. In shopping, discounts and multiple-unit pricing can use anchor information to influence consumers' judgments. In advertisements, anchor information can also be used to make advertisements more credible. In negotiations, using anchor information can achieve the goals faster and better. This article will also discuss how to eliminate the anchoring effect; for example, before seeing the anchor information, people need to obtain more comprehensive information to keep their minds clear so they can make rational decisions.

Keywords: anchoring effect, marketing, negotiation, advertisement

1. Introduction

Cognitive bias is a tendency of people's thoughts and minds. The reason why cognitive bias happens includes many factors. For example, bias may arise when the biased solutions toward the problem result in lower error costs than unbiased ones ^[1]. Moreover, people may trust a person just because they are an authority figure, and people may even judge others' behavior just because of the stereotypes. These things result from cognitive bias, and people may make wrong decisions because of cognitive bias. Anchoring effect is a cognitive bias. The anchoring effect is that people would like to rely on the information they were exposed to in the first place, and this kind of information is "anchor" ^[2]. Even if people are exposed to more information in the later stage, they will still be more likely to be misled by anchor information and make wrong decisions. Wilson and his colleagues 1996 did research, and they found that anchoring appears to operate unintentionally and nonconsciously in that it is difficult to avoid even when people are forewarned ^[3]. The anchoring effect can easily affect people's thinking. Mussweiler did research in 2001, and he found out that the duration of the anchoring effect can even last for one week ^[4]. The anchoring effect will not gradually weaken in a short period; even after people make significant decisions, the influence of the anchoring effect still exists. The impact of the anchoring effect is not only substantial but also lasts for a long time. Whether this effect is good or bad for our daily lives is still open to debate. Based on this situation, discussing and studying the anchoring effect is very important.

This article will discuss the application of the anchoring effect in the market. The anchoring effect can be used as a good tool in economics and marketing. If merchants want to do good marketing or use a better strategy, they can use the anchoring effect to achieve their goals. For consumers, understanding the influence of the anchoring effect in the market can also help them make more rational decisions. Therefore, it is also essential to study the application of the anchoring effect in the market.

2. Application of anchoring effect

The anchoring effect has many application scenarios in daily life. This article will discuss the application and impact of the anchoring effect in the three fields. The first field is shopping, the second is advertisement, and the third is negotiation.

2.1 Shopping and anchoring effect

The first application field is shopping. Online shopping is trendy now, and many websites will display discounts on corresponding products. But on the discount page, the original price is generally shown. So compared to directly giving a discount, such as a 30% discount, giving an actual price will make consumers more willing to buy the product. For example, an item originally priced at \$500 is now priced at \$350, a 30% discount. In this kind of discount, because an original price is given, this original price is set as the anchor price, and this anchor price will make consumers feel that the product is very cheap. This marketing method is an anchor effect. After consumers read the anchor price, this information gives consumers a deep impression. The information that

subsequent consumers were exposed to cannot change the information provided by the initial anchor price, which affects consumers' judgment and decision-making.

The second more common anchoring effect in shopping is multiple-unit pricing. Multi-unit pricing is a pricing strategy where consumers buy different units of the same product at a lower price. This is how businesses lower prices proportionally to the number of units people want to buy. It is often used as a marketing tactic. Compared with single-unit pricing, this pricing method will make people more willing to purchase goods^[5]. For example, there are two sayings: \$5 for a pack of tissues and \$20 for four packs of tissues. So, for a pack of paper towels that costs \$5, this is single-unit pricing, and for a pack of paper towels that costs \$20, it is multiple-unit pricing. So, number 4 is an anchor for consumers. So compared to \$5 for a pack of tissues, \$20 for four packs of tissues will make consumers more willing to buy because there are more than 4, making consumers look more suitable, even though the actual price of a pack of tissues is the same.

2.2 Advertisement and anchoring effect

In fact, the advertisement can also be applied to the anchoring effect. Paek and his colleagues did research in 2011^[6]. In the experiment, the researchers aim to study the correlation between the advertisements with anchor information and people's attitudes. The researchers mainly used the form of questionnaires to judge people's attitudes. During the experiment, they chose three different slogans as independent variables. The first ad was a copy without an anchor, the second was a copy with a within-product category anchor, and the third was a copy with an across-product category anchor. Researchers chose several products to display in the ad to control the variables. The participants were then asked to do a questionnaire to show their attitudes and the purchase intensity toward the ads. After that, they analyzed their result and found out people prefer the messages with an anchor over those without an anchor.

From this experiment, people prefer advertisements with anchor information because this anchor information will affect their decision-making ability. They will become more willing to buy these products because of this information. The anchor information easily influences consumers in the advertisement. If an advertisement's anchor information includes specific viewpoints, consumers will be more likely to believe the information. For example, suppose there is an advertisement mentioning that eating their brand of hamburgers can weigh 10 grams less than other brands. Consumers will be more inclined to believe this anchor information because this advertisement has more purchase intentions. This

is the impact of the anchoring effect in advertising on consumers.

2.3 Negotiation

For negotiations, the anchoring effect can also play a significant role, and many industries will use anchoring effect negotiation skills. For example, in the real estate industry, real estate agents will not give you the most suitable housing source from the beginning. They will provide you with a low-priced but poor-quality house in the first place. This is actually a skill of real estate agent negotiation. Because of this anchor information, consumers will feel they cannot rent or buy a good house at a meager price. As a result, consumers have to increase their budgets. Real estate agents can quickly achieve their goals using the anchoring effect in the negotiation process. Sales also have negotiating skills. People always think that any product that can be purchased at a lower price than the original price is a good deal. So, the price given at the beginning of the sale may be very high, which is an anchor price. Since the anchor price will be much higher than the estimated sales price when consumers bargain to get a lower price, the final transaction price may be the same as the estimated sales price, or even the final transaction price may be higher. Estimated price on sale. But even so, consumers will think this is a good deal because the final transaction price is lower than the initial price. Then, this kind of anchor price will affect the judgment of consumers. This sales negotiation technique perfectly applies the anchoring effect.

The same is true for salary negotiations. At first, the employer may give you a low salary. This salary is an anchor information. The estimated salary of the employee may be very high, for example, \$8,000 a month. Still, if the initial salary of the anchor given by the employer is only \$5,000 a month, the employee may not directly ask for \$8,000 a month. Because of the existence of the anchor salary, employees are likely to get lower than the estimated salary when they are fighting for salary. Conversely, if the employee directly asks for a very high salary when fighting for salary, this request is an anchor salary for the employer. The employer may need more money than the estimated price to hire the employee.

3. Conclusion

The anchoring effect does have an impact on the market, and it can help consumers as well as businesses. For consumers, after becoming familiar with the role of the anchoring effect, they can also use corresponding skills in negotiations and can make decisions with a clearer mind when shopping. Merchants can use more advertising and marketing methods with anchoring effect to sell goods

and can better manage the company's products. The anchoring effect allows us to apply it in our daily lives and will enable people to be misled by the anchoring effect and make wrong decisions. Based on this factor, people should learn how to avoid the influence of anchoring effect. For example, people can get in touch with more information in various aspects, from the news or daily life, and try to get in touch with more comprehensive information to free themselves from the information cocoon. Suppose people have more extensive exposure to information, when encountering anchor information in the future. In that case, people can view similar information more rationally and avoid being affected by the anchoring effect. Therefore, for anchoring effect, future research can focus on eliminating this kind of effect, which will also be a difficulty for future research.

References

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