Maneuvering Or Cheating? Perspective-Taking and Numerical Anchoring in Price Negotiation

Guang-Xin Xie, University of Massachusetts Boston, USA
Hua Chang, Drexel University, USA

Previous research has examined the effect of externally presented numerical anchors on buyers’ perceptions of sellers in price negotiation. However, the literature remains relatively silent on buyers’ self-generated anchors. In three studies, we examined the extent to which perspective-taking could change the extrinsic numeric anchor when buyers (e.g. consumers) evaluate the deceptiveness of sellers (e.g. a salesperson). The results suggest that buyers have a “comfort zone” about how much sellers can deviate from the numeric fact, and the boundary can be shaped by buyers’ capacity to consider the market norms from a seller’s perspective.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/16226/volumes/v38/NA-38

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
condition. This study utilized a one-factor, four-level (separate nine ending, separate zero ending, joint nine ending and zero ending, and sequential nine ending and zero ending) design. A total of 158 undergraduate students, seventy-eight males and eighty females, were recruited from a large southern university. The participants were randomly divided into four subgroups, each of which was randomly assigned to one of four conditions.

The results also support the hypotheses. These findings demonstrate that the nine-ending pricing effect manifests in the SQE condition more strongly than in the JE condition but less strongly than in the SE condition.

General Discussion

The results of the present research offer practical implications for predicting actual purchasing behavior, as people constantly encounter buying circumstances involving either separate or joint evaluations in daily life (Hsee 1996). The diversity in evaluation conditions provides an advantage in marketing campaigns depending on the managerial approach. Alternatively, a zero-ending priced item could be advertised jointly with the comparable nine-ending priced items of competitors if a retailer wishes to generate the perception of equivalent prices.

Reference


**Maneuvering or Cheating? Perspective-taking and Numerical Anchoring in Price Negotiation**

Guang-Xin Xie, University of Massachusetts–Boston, USA

Hua Chang, Drexel University, USA

**Extended Abstract**

Extant research has examined the extent to which externally presented numerical anchors on buyers’ perceptions of sellers in price negotiation (e.g. Bolton Warlop, and Alba 2003; Ofir 2004; Rajendran and Tellis 1994). However, the existing literature remains relatively silent on the effect of buyers’ self-generated anchors and the related boundary conditions. Based on the recent studies on perspective-taking (e.g. Galinsky, Maddux, Gilin, and White 2008) and numerical anchoring (e.g. Wegener, Petty, Blankenship, and Detweiler-Bedell 2010), we propose that buyers have a “comfort zone” about the degree to which sellers can deviate from the fact (i.e. some tactics are acceptable). Further, buyers’ capacity to consider the market norms from a seller’s perspective can shape the range of the comfort zone and affect the perceived deceptiveness of the seller (i.e. tactics may be considered cheating anyway).

In general, when sellers provide a false numeric anchor that deviates from the fact, buyers are more likely to think they are deceptive and not acceptable. In this study, we intend to find out whether perspective-taking could change the extrinsic numeric anchor when buyers (e.g. consumers) evaluate the deceptiveness of sellers (e.g. a salesperson working for a car dealer). Perspective-taking is a cognitive capacity to consider the world from other viewpoints and allows an individual to anticipate the behavior and reactions of others (Galinsky and Mussweiler 2001). As Mazar, Amir and Ariely (2008) suggested, even honest people sometimes cheat, as long as the deviation is small enough to maintain a positive self-concept. Therefore, if buyers think from a seller’s perspective, they may be more forgiving because they will probably cheat as well in that position. The perspective-taking heuristic, however, may or may not be factored in when buyers bargain with a seller. We speculate that without this mindset, buyers are more likely to focus on the factual aspect of a seller’s negotiation tactic and therefore remain defensive. In comparison, buyers can be more tolerant about the fact-claim discrepancies if they will also cheat as a seller given a chance. In three experiments, we tested this hypothesis and the related boundary condition.

In study 1, seventy-one undergraduate students were randomly assigned to two experimental conditions. First, participants in both conditions were told to imagine they work at a car dealership as a salesperson who is selling a car with a markup of 7%. Next, they were asked what they would tell their customer if the customer asked what the markup is. After a filler task, participants were presented the same scenario from the customers’ standpoint. They were told that a salesperson said the markup rate is 7.5% in one condition and 15% in another condition, while the true rate is 7%. Then they were asked to rate the salesperson in terms of being deceptive, misleading, trustworthy, and appropriate.

We first distinguished the participants by how much they would like to cheat as a salesperson. The absolute values of deviation from the true rate (7%) were calculated, followed by a median split to categorize participants as high or low deviation from the true markup. We ran a 2 (salesperson’s deviation: low 7.5% vs. high 15%) x 2 (participants’ deviation from the true markup: high vs. low) ANOVA. As expected, the main effect of the salesperson’s deviation was significant: participants across conditions rated the salesperson as more deceptive when he said the true rate was 15% compared to 7.5%, F (1, 67)=7.60, p=.008. The main effect of participant’s willingness to deviate was not significant. Interestingly, the interaction was significant, F (1, 67)=3.97, p=.04. Those who didn’t cheat or cheated just a little as a seller considered the 7.5% rate much less deceptive than the 15% rate. In comparison, those who cheat a lot as a seller considered the salesperson equally non-deceptive despite the deviation. The role of perspective-taking was evident.
One possible explanation for the observed effect is that the perspective-taking task prior to the deviation manipulation adds an anchor about how much deviation is appropriate. Participants used this self-generated anchor rather than the actual anchor 7% to evaluate the salesperson. To test this hypothesis, we flipped the task order in Study 2.

Two-hundred and seventy-four undergraduate students participated in Study 2. They were first presented with the seller evaluation task, comparing the deceptiveness of 7.5% and 15% markup rates. After a filler task, they indicated the markup rate to tell their customer if they assumed the role as a salesperson. The results indicate a significant main effect of seller deviation: 15% rate was considered more deceptive than the 7.5% rate. As expected, the interaction was not significant anymore. Participants who deviated a lot from 7% as a seller considered 15% rate was more deceptive than 7.5% as well. More interestingly, we found that participants were less likely to cheat when the evaluation task was presented first. Much more participants in terms of percentage (53%) were willing to tell the customer the true rate 7% than those in Study 1 (18%), $\chi^2(1, 355)=21.57, p<.001$. Participants in Study 2 appeared to be much more honest because they engaged in the seller evaluation task first. In Study 3, we further pushed the boundary of deviation to test whether the findings hold.

One hundred and forty-five undergraduate students participated in Study 3. The design was the same as Study 2, except that the salesperson told the customer the true rate 7% or a much higher rate 21%. The rate 21% was chosen to exceed the upper bound of participants’ self-reported deviation in Study 2, while maintains some level of realism. The results replicated the patterns found in Study 2.

Combined, the results in three studies supported that at least three heuristics could influence the perceived deceptiveness of a seller: 1). how much the deviation from the fact is; 2). how much buyers would like to cheat as sellers, and 3). the extent to which the perspective-taking mindset is activated. This study contributes to the literature by offering one of the first empirical evidence about the effect of self-generated anchor on judgments: the internal anchor is a moving target bounded by the situational salience and market norms.

References

SAS (Un)fairness
Sungchui Choe, University of Northern British Columbia, Canada
Mike Staney, University of Northern British Columbia, Canada

Extended Abstract
The “Scratch and Save (SAS)” promotion is emerging in North America as a store-level promotional strategy. SAS promotions offer potential discounts on all regular-price items in the store for a very short time period. Unlike the more established Tensile Price Claim (TPC), for which consumers are given the exact discount on a specific product, the SAS offers a variable discount on all products: the exact discount is determined from the deal’s parameters (e.g. “up to 40% off” or “5%-30% off”) by a scratch-off card at the point of purchase. Therefore, the SAS discount is characterized by uncertainty of savings until purchase. The variable outcome introduces a gambling component (note that a similar mechanism is used in “scratch-off” lottery cards) and customers buying the exact same item will inevitably receive different discounts from each other. The variable and unequal outcomes introduced by SAS promotions raise concerns about fairness. Two studies presented here explore how consumers approach (un)fairness in SAS promotions, and how their (un) fairness judgments influence emotion, satisfaction, and post-purchase behavior. In study 1, we employed a one-factor (actual discount), three-level (10%, 15%, and 20%), between-subjects design using a 15% reference discount. Study 2 manipulated levels of reference discount and inequality with a 2 (reference discount level: low (15%) vs. high (25%)) x 2 (inequality level: advantageous vs. disadvantageous) factorial design. We propose that consumers consider disadvantageous inequality to be more unfair than advantageous inequality. Furthermore, consumers will consider a deal to be unfair, even though they receive a discount, if the discount is lower than the average discount received by other customers. Therefore, we distinguish between dissatisfaction, as discussed in the “disconfirmation” (e.g., Oliver, 1980; Oliver and Swan, 1989) and “counterfactual-thinking” (e.g., Walchli and Landman, 2003) literature, and unfairness as prompted by a comparison to deals that other customers receive.

SAS promotions provide a maximum ceiling for their discounts (i.e., “up to 30%”), a minimum guaranteed discount (i.e., “10% or more”), or a range with explicit minimum and maximum bounds (i.e., “10% to 30%”). Regardless of the discount parameters, consumers will argue consider the possibility of receiving the lowest possible discount, as they must commit to the purchase in order to discover