Experience on Consumer Purchasing Decision-making: a Study of Anchoring Effects

TREO Talk Paper

Jiang Hu
Texas Tech University
jiang.hu@ttu.edu

Wei He
Texas Tech University
wei.he@ttu.edu

Abstract

Stemming from an experiment by Tversky and Kahneman (1974), anchoring effect means that the result or target value of an individual’s judgment and decision tends to be impacted to be close to an initial given value, even though that value is random and irrelevant to the task. People begin their estimation from the anchor value, which could be a hint of the question or a part of the answer. But biases may be generated during decision making process because the adjustment regarding this anchor value as a reference point is usually not completely adequate.

Anchor effect is a bias phenomenon caused by experimenter-provided anchor or self-generated anchor. Experimenter-provided anchor refers to anchor values provided by external resources, which has been relatively fully studied in anchoring effect research. Self-generated anchor effect, on the other hand, refers to the anchor value generated by decision makers themselves during the decision-making process. An example could be that a well-known cellphone brand has significant higher anchoring effect to customer than unknown cellphone brand while unknown brand cellphone has no significant lower anchoring effect than well-known brand (Wang, 2011). However, few research has paid attention to these two kinds of anchor effects simultaneously, although in real life, people are likely to be influenced by both experimenter-provided anchor and self-generated anchor at the same time. Self-generated anchoring may further moderate the impact of experimenter-provided anchoring on ultimate decisions, making the result closer to self-generated anchoring value.

In this study, we aim to explore how self-generated anchor (for example, personal experience) may interact with experimenter-provided anchor (for example, brand) to influence individuals’ decision making. Doing so would help us have a more nuanced understanding on judgment and decision-making process theoretically as well as shed a light on potential managerial implications practically.

Our study makes several important practical implications. Firstly, we can use the anchoring effect of well-known brand products to promote new products. When the new products come to market, consumers have no knowledge of them, which means there is no self-generated anchor. At this stage, brand anchoring effect will have a significant impact on the products of consumers’ decision-making. Therefore, the merchants can effectively use the anchoring effect of well-known brands in the market to promote new products. Secondly, company should pay more attention to the innovation of products. Consumer’s familiarity of the brand has negative correlation with anchoring effect. When consumers are more familiar with the product, the anchoring effect of the product are weaker. In order to take advantage of the brand anchoring effect, they need to upgrade their products, such as adding features or change the packaging to reduce the familiarity of consumers.

References
