The application and influence of anchoring effect

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Abstract. Anchoring effect is a judgment bias phenomenon. When people need to make a quantitative estimate of an event, they will take some specific values as the starting value, which restricts the estimated value like an anchor. When making a decision, you unconsciously give too much weight to the initial information. In different fields, there will be uncertain negative effects on the trigger of anchoring effect, such as the effect of consumers and judges, and then the consequences are completely different. From this, we can understand the types of various anchoring and more detailed differences. The relevant research provides some inspiration for people to avoid or minimize the anchoring bias in decision making.

Keywords: Anchoring effect; Application.

1. Introduction

Anchoring is a psychological phenomenon that people often trigger inadvertently and without knowing it. People are influenced by the results of the first assessment or the initial information they receive when making decisions or evaluations. They attach more importance to these initial values, so that in subsequent decisions, they make decisions with similar information to the initial values. "In many situations, people make estimates by starting from an initial value that is adjusted to yield the final answer. The initial value, or starting point, may be suggested by the formulation of the problem, or it may be the result of a partial computation. In either case, adjustments are typically insufficient. That is,different starting points yield different estimates, which are biased toward the initial values. We call this phenomenon anchoring. "(2004)

Anchoring effect, as a spontaneous psychological effect, appears in people's subconscious in most cases. This means that when people are faced with cases with anchors, they often fail to notice that they have fallen into the trap of anchors, and thus make wrong judgments. There are a lot of experiments to prove the existence of anchoring, but these are only proofs, and do not actually help people to avoid things. This paper will analyze the existing factors of anchors and various kinds of differences, as well as provide practical application cases for interpretation.

2. The types of anchor

Tversky and Kahneman (1974) proposed the traditional anchoring effect by spinning random numbers (actually the number was deliberately controlled to be 10 or 65) on a rotary table and asking subjects "Is the number of African countries in the total number of United Nations countries greater or less than the random number?" The second question is "What is the actual percentage of African countries in the total number of UN countries?" The bottom line is that the subjects who saw the high anchor point gave the larger number as the answer to the question and the subjects who saw the low anchor point gave the lower number as the answer. A large number of studies have shown that the traditional anchoring effect is caused by semantic priming and information accessibility of anchoring information (Mussweiler, 2002,2001; M ussweiler Strack, 2000a, 2000b. MUssweiler Strack, 2000a, 2000b. 1999; Mussweiler Neumann. 2000; Mussweiler,1997) provided subjects with two questions to trigger the anchoring bias in this experiment, which is called the two-step and is essentially the difference between the traditional and basic anchoring effects. The basic anchoring effect proposed by Wilson, Houston, Etling and Brekke (1996) is a one-step one, which only uses a simple number as an anchor to influence the final test results. However, the test results will be affected by large external factors. If the subjects have a better understanding of the problem, Anchoring bias is hard to achieve with just a few numbers. Another anchoring effect, called spontaneous anchoring effect, is

the subject of research by epley and Gilovich (2001). Spontaneous anchoring is divided into two types, external anchoring and spontaneous anchoring. The essential difference between the two is that one is affected by the numerical value outside the reference object, while the other is affected by the subject's own empirical judgment. On the other hand, spontaneous anchoring effect is caused by individuals taking anchoring value as a starting point for adjustment and making inadequate adjustment (Epley Gilovich, 2006,2005,2004, 2001; Epley, 2004). For example, the reference to the number of African countries in the United Nations compared to a random number is an external anchor. If people have a reference standard for the choice to be made, such as experience or professional knowledge, which influences the outcome of the choice, this is called spontaneous anchoring.

3. Conditions for anchoring effect

Although anchoring effect is very common in life as well as in economics, it does not necessarily occur every time. Its existence is based on several conditions. 1. The correlation between anchors and objects. 2. The attractiveness of the reference to the decision maker. 3. The importance of decision-making. All three are necessary for anchoring to occur. If the anchor is not related to the problem, for example, the anchor is the height of a building, but the problem is about the diameter of a lake. Although the units of measurement are the same, they are fundamentally different. The two are completely unrelated, so the decision-makers may not take the anchor as a reference, and the anchoring effect will not occur. Attraction is the most important and fundamental part of anchoring, because if people weren't attracted to or paying attention to the anchor, there would be no anchoring effect. When faced with an important and serious decision, the anchoring effect is much less powerful. People tend to think more in order not to make a mistake or to choose the best option. Anchors will be included but not limited to in the consideration process. Most of the young workers who are newly employed often have harsh living conditions. In order to plan their daily expenses and income, they often spend money with a budget in mind. Even if a store has an excellent anchoring strategy, young employees are forced by the pressures of life to do what's best for them. Another kind of "importance" is that in the case of time crunch, the decision becomes important because time will soon run out. The subjects often have no energy to make a precise judgment under the pressure of time, but follow the ideas emerging in their brains, thus making the anchored estimate greater than the usual decision. Research by Reitsma -- van Rooijen and Daamen(2006) confirms this conclusion.

In some experiments, it has been shown that even though the subjects were told in advance that the anchoring effect would occur, they knew they should not be affected by the anchoring effect, but in the actual experiment, the anchoring effect occurred because it was a spontaneous anchoring formed automatically in their subconscious mind. Spontaneous anchoring is related to hard thinking. When there is no reference (external anchor), people tend to think autonomously, and the results of autonomous thinking experiment will be closer to spontaneous anchoring value than those of experiment with reference interference.

4. The psychological explanation of anchoring effect

Quattrone (1982) believed that people would attach more importance to their own opinions, and opinions usually start from their own anchors and lack of certain adjustments, resulting in deviation. When communicating with others, even if the other side puts forward a point of view, people will treat these points from their own perspective and thoughts, which is also the deviation of people's thoughts, because it is very difficult to give up their own point of view. But in order to be able to understand the other person's point of view, the spontaneous anchor will constantly adjust, jump to adjust, it's a process of hard thinking. The mind will adjust until a point of view emerges that is acceptable to both oneself and others. Sometimes I will also bring anchoring to others. If I mention

too much of my own ideas when asking others for advice or advice, it will also limit their thinking and frame their ideas in the anchor value. So it's hard to get really useful advice in this situation.

5. Measures to counter the anchoring trap

The use of anchoring effect is very common in our daily life, and as an unavoidable psychological phenomenon, what should be done is not to eliminate it but to reduce its influence. The selective accessibility model proposed by Strack and Mussweiler knows that when the target and the target that activates anchoring have more information in common, the greater the bias is likely to occur.

1). Don't let first impressions and stereotypes limit your thinking. Once you do, it's hard to leave. Focusing more on the differences than on the usual similarities may weaken the anchoring effect.

2). Know what you really want. Epley and Gilovich (2005) used money incentive method to reduce the anchoring effect of subjects, and the experimental results were also considered effective. This will enlighten us to make decisions with a certain amount of vigilance and questioning, as well as more thought.

3). Exercise a broader mind, think from more angles, look at problems or make decisions.

6. Anchoring effect in different fields

6.1.Anchoring effects Applications of justice

Up to now, the judiciary has been a relatively mature system, but there are still many judicial cognitive biases, these biases will affect the final verdict. YangBiao (2017) mentioned in a published paper that anchoring effect is the most prominent representation of disturbance to referee stability. The judges' minds are bound to a fixed value, an anchor, which motivates them to make arbitrary decisions. This can also lead to very different sentences for similar crimes, because the judge's initial conviction can affect the final conviction, which can vary from a sentence of several years to a fine of tens of thousands of dollars. At the same time, "Anchoring effect is also a kind of bias that is difficult to eliminate. A large amount of valuable information cannot be entered into the decision-making consideration scope, which leads to people's laziness above people and reduces the intake of information".

6.2.Anchoring Effect Applications Marketing

Anchoring effect is an effective means used in marketing to attract customers. Discount is one of the most common and typical anchoring bias. Merchants first set a high price (high anchor) and then make customers think it is a good deal through such promotion methods as discount or buy one get one free. Another deviation is also common in our life. For example, when we enter a store, the first item at the door is surprisingly expensive. It may be the most exquisite item in the store, but the price is several times that of other items, which are all normal prices. The price of goods at the door is an anchor. Goods at the door attract consumers not only through their first impression of the store. People also subconsciously assume that other goods are of similar price, but they are not, so they learn the real price of other goods (the price is far from the price of the goods at the door). The original normal price will be perceived as much cheaper by customers, and even the price of the previously considered expensive goods will seem reasonable by comparison, and the purchase rate of the goods will rise accordingly. Starbucks sells some premium purified water, but the water is actually several times cheaper if you buy it elsewhere. This is actually the clever part of Starbucks pricing, because compared with the high price of water, the usually expensive coffee price will be better accepted by consumers.

6.3.Anchoring Effect Applications brand

Anchoring effect is also applied in brand design. It is difficult for a newly emerged brand to gain a foothold in the market at the very beginning, so it is a good choice to make use of the anchoring

deviation of consumers. The packaging and shelf design of goods that mimic the same product but are better known by the brand will trigger the anchoring effect. Although the brand is different from the same brand, the high anchor value of the well-known brand will make the anchor deviation value of the new brand at a higher level, so that consumers have higher expectations for the new brand products. However, this is not a long-term solution. As the brand becomes more and more popular, the effect of anchoring deviation will gradually decline, and consumers will expect new products instead of similar "anchor" products.

7. Conclusion

Anchoring effect, as an extremely common phenomenon, exists in different forms in various professions or fields of life. It is the key to understand its operation principle and make reasonable use of the effect and benefit from it.

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