Study on the Influence of Anchoring Effect on Consumer Behavior and Consumer Phycology

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Abstract. Nowadays, with the development of economy, people's consumption level is getting higher and higher, and consumption channels are getting richer and richer. People sometimes buy impulsively, sometimes for their own quality of life and so on. Various merchants have also launched various ways to promote consumers' purchase intentions and obtain higher profits. Like discount promotions, use streaming media to promote. The anchoring effect is used in all of them. This paper mainly studies the application of anchoring effect in daily life and the principle of influencing the psychology of consumers and sellers. Through the summary of the existing literature and the observation of social phenomena, it is concluded that no different anchors have different effects on the results. Various potential factors affect anchoring. The research also found that when consumers or sellers are price takers or passively accept the information of an item, they will be unconsciously affected by the anchor. When they are anchored by other factors such as brand effect and social factors, they will willingly accept a high anchor value and actively follow this high anchor value.

Keywords: Anchoring, Phycology, Consumption behavior.

1. Introduction

The steady growth of the social economy has increased people's spending power. With the rapid development of the tertiary industry, people have more and more opportunities to consume and are more willing to consume. Consumption becomes a way of leisure and not just for the purchase of just-needed items. So, businesses are getting smarter about using the anchoring effect to increase business profits. In the face of most anchoring, consumers may be unaware, or the anchor proposed by the merchant is convinced. For example, e-commerce platforms often have various promotions such as the mid-year promotion, the year-end shopping festival, and various festivals and even traditional Chinese festivals that sound nothing to do with shopping have become opportunities for e-commerce discounts. Promotion will significantly encourage consumption [1]. People can often see large red envelopes of hundreds or less than dozens, and the higher the amount of shopping, the more powerful the discount. Many people buy things they don't need or want to buy in order to fill up. According to data, the transaction amount of e-commerce platforms in the Double 12 Shopping Festival in 2023 is 138.6 billion yuan. It was 1.02 times the usual amount. Consumers are not only anchored by price but are influenced by many factors, including the comments on the internet [2, 3]. Product evaluation, positioning, branding and even the price others pay for the same product are all anchors that influence consumers. If a platform promotes its products through social media and builds a healthy and high-end image or spreads the brand story, then consumers will willingly accept the high price of the products. This is also the reason why many commodities will increase in price after becoming popular, although sometimes the merchants will not admit that the price increase is related to the anchoring effect because they are in people's minds to get a better image and provide a higher anchor. It can be seen that the use of anchoring effect is wide and deeply permeated in consumer life. This paper studies the anchoring effect to point out how businesses should use the influence of anchoring effect on consumer psychology to formulate effective business policies and how consumers should find and avoid anchoring traps in their lives. This paper will discuss three applications of the anchoring effect in daily life. 1. Discounts encourage consumers to spend. 2. Influence of price negotiation on expected price, reserve price and transaction price. 3. Consumers will be anchored by various factors to affect their expectations and acceptance of product prices. This paper will study and summarize the existing texts to discuss the influence of anchoring effect on the consumer psychology and behavior of merchants and consumers.

2. Literature Review

2.1. Definition of Anchoring and Why it Matters

Anchoring bias (also known as anchoring heuristic or anchoring effect) is a type of cognitive bias that causes people to favor information they received early in the decision-making process. It matters because People attach too much importance to the first piece of information they receive, and they overuse it in subsequent decision making. Even if the information is incorrect or they receive other information. This leads to under-adjustment. This is common and difficult to avoid [4].

2.2. Mechanism of Anchoring Effect

Anchoring effect is a heuristic in Behavior Economics first suggested by Amos Tversky and Daniel Kahneman in 1974. There are two main reasons for the anchoring effect. First, the heuristic effect of System one. Second, the adjustment of system 2 is inadequate [5]. The heuristic effect of system 1 is the manifestation of associative consistency. When the first piece of information comes to mind, people will automatically match the information with the corresponding evidence and emphasize the truth and importance of the information. Therefore, people are more likely to believe the first information they get and underestimate other information. The availability heuristic explains that the easier a thing is to imagine, the easier it is subjectively to achieve [6]. System 2 is undertone because System 2 is lazy in finding evidence in the context of the question to adjust the answer to reasonable data [5]. This could lead to a premature end to the adjustment. The classical anchoring effect is studied by the two-step paradigm [5,7]. Foundation anchoring effect [8]. The reasons for the deficient adjustment of anchoring effect were studied [9].

2.3. Consumer Behavior

Consumer behavior is a very complex concept. Consumer behavior interacts with individual factors, social factors and cultural factors [10]. Consumer psychology proposes that prior knowledge of current information leads to predictions of potential bias in information processing and future choices [11]. consumption decision puts forward the formation factors of consumer vision and the influence of consumer vision on consumer decision-making [12].

2.4. Application of Anchoring Effect for Merchants and Consumers

Here's how merchants can use the anchoring effect to promote consumer behavior.

1) Discount, merchants reduce commodity prices to encourage customers to consume and increase company profits pointed out that merchants use discounts and purchase restrictions to create anchors and increase turnover [13]. And how consumers can avoid this anchor points out that different forms of promotion bring different degrees of anchoring effect [14].

2) Advertising emphasizes that advertising will affect consumers' impression of products and change consumers' purchasing decisions [13].

This is due to the fact that consumers are anchored by the anchors put out by the merchants. There are many factors that can create anchoring, and consumers can even be influenced by irrelevant anchors, such as the money spent by others on the same goods [15]. Not only consumers will be affected by anchor, but all decision-makers will be affected by the starting point [16]. The level of anchor will affect reservation prices, aspiration prices and opening offers in the process of price negotiation [17]. Merchants consider that pricing strategies under anchoring can greatly improve company profits [18]. This paper studies the influence of different anchoring points and anchoring degrees on optimal pricing proposes that the pricing strategy should consider the situation that consumers are anchored by price alone and by price and sales volume [18].

3. Application of Anchoring Effect in Daily Life

3.1. Pricing Negotiation

In the process of pricing negotiation, if the buyer suggests a price which is much lower than the initial selling price, the seller will be more willing to sell the product in a lower price, even the price is much lower than the initial selling price. This is because people overweight the first information they received and use it as an anchor [4]. They are affected by the starting point.

An experiment can prove that low anchor points lead to low price expectations and thus low transaction prices: There are 105 MBA students in Sample 1, who have no experience in price negotiation. Sample 2 consists of 135 experienced managers. They were all asked to make a judgment call with a Japanese company about the price of the parts. The initial selling price of the parts is $20. The Marginal cost is $10. Therefore, for the experimenter, their reservation price was $10. Every participant gets 1 of 3 stimulus materials. This means that the offers they get from the Japanese firm are different. But the reservation price of the Japanese firm is unknow [19].

Table 1. MBA students—individual responses (means and standard deviations) [19]

	offer	Aspiration level	Bottom Line
Low anchor ($12)	20.6	16.5	14.0
control	29.2	22.2	18.5
High anchor	33.6	24.7	21.2

Table 2. Managers—individual responses (means and standard deviations) [19]

	Offer	Aspiration Level	Bottom Line
Low anchor ($12)	19.3	14.7	12.1
High anchor ($32)	32.1	22.0	17.4

From table 1 the low anchor is $12; the high anchor is $32. The result was a controlled participant offer, aspiration level and bottom line is much higher than under low anchor conditions. Under the high anchor condition, all of the offer, aspiration level and bottom level is much high than under control. Because the value of high anchor is even higher than the initial offer, so the offer is $33.6 which is higher than both the initial offer and the anchor. The bottom line is high than $20. From Table 2 experienced managers are also affected by the anchoring effect, and the extent of the anchoring effect is no less than that of students. This suggests that experience does not necessarily reduce the probability of being affected by anchoring effects. Moreover, for them, the anchor is the Japanese firm's offer. Participants unconsciously overuse this value, resulting in their offer, aspiration level and bottom line approaching the value of the anchor due to insufficient adjustment of the anchor. Low anchors bring a low final value and high anchors bring a high final value.

The separate effect on the negotiated price of reservation prices, aspiration prices and opening offers [17]. If the negotiators anchor with a clear expectation of the price like a clear aspiration price in advance, they will be less influenced by the consumer’s offer.

3.2. Sellers Encourage Consumption by Offering Discounts

Price discounts will encourage consumers to make purchases [20]. When merchants discount goods, they usually write the original price of the goods on the side. First, the original price provides buyers with an anchor. The consumer will compare the current price with the original price, and make the buyer think that the purchase of the product is a good deal. It may be that even after the product is discounted, its actual value is not worth its selling price, but in the mind of the consumer, they think that the value of the product is more than the discounted price. So, buying at this point is an efficient buying strategy. Secondly, favorable prices provide consumers with a low anchor. For example, when a $199 item has a $100 coupon, we prefer a $99 item to a $150 item without a coupon. Even though consumers will perceive higher priced goods as having higher quality [2]. Consumption can be

divided into hedonic consumption and impulsive consumption. Hedonic consumers believe that shopping is a form of entertainment, and they pay attention to shopping experience. So, discounts and promotions that encourage consumption will directly encourage them to consume. Discount will reduce the price of goods for a short time, which stimulates consumers' desire to buy, thus increasing consumption [1].

This experiment can prove consumers' preference for discount forms under different discount rates, and also prove the application of anchoring effect in discount and encourage people to spend. The study was conducted on 209 people of different ages and regions [14].

1) Participants were asked to buy 10 kilograms of rice

Table 3. The shopping frequency and attention to promotion of the respondents [14]

	Often shopping	Seldom shopping
Focus on promotion	138 (66.0%)	23 (11.0%)
Not focus on promotion	28 (13.4%)	20 (9.6%)

From Table 3, this shows that most consumers pay more attention to discounts and like the advantages that discounts bring to their shopping.

2) The two supermarkets offer different forms of promotion

Supermarket A: A certain amount of rice will be gifted after purchasing a certain amount of rice.

Supermarket B: There is a discount on the price of rice.

The experiment investigated the selection of two supermarkets under different discount values to determine the influence of discount value on consumer preference.

Table 4. The number and percentage of people who chooses Supermarket A or B for different degree of discount [14]

Degree of discount	20%	40%	60%
Supermarket A	66 (31.6%)	75 (35.9%)	80 (38.3%)
Supermarket B	143 (68.4%)	134 (64.1%)	129 (61.7%)

From Table 4, consumers are more inclined to discount promotions rather than gifts. When the discount value increases, the percentage of people who prefer the gift increases.

3) The market price of rice in the questionnaire is 3 yuan. People at Supermarket A were asked how much rice they could buy for 30 yuan. But people on Supermarket B will tell you the real price of rice directly.

Table 5. The answer of respondents who always choose Supermarket A [14]

Option	Less than 10kg	About 15kg	Over 20kg
Number & Percentage	28 (62.2%)	14 (31.1%)	3 (6.67%)

Table 6. The answer of respondents who always choose Supermarket B [14]

Option	Less than 2 yuan	About 2 yuan	Over 3 yuan
Number & Percentage	18 (16.82%)	59 (55.14%)	30 (28.04%)

From Table 5 and Table 6. Consumers who prefer the form of gifts are more likely to overestimate the true value of their purchases.

To conclude, merchants can use this to develop promotional activities for goods and obtain greater commercial profits, such as raising the price of goods before developing gift promotions.

3.3. Merchants Provide High Anchors for Consumers through Advertising

Consumers are anchored by different factors [15]. Merchants will also use the information in advertisements to influence consumers' psychological expectations of products, thus creating an anchoring effect on consumers [13]. Merchants use advertising to establish a positive image and high-end positioning in the minds of consumers [21]. Through the excellent brand image in the minds of

consumers to create a high anchor, so that consumers voluntarily accept the higher price of goods. Forms of advertising include physical forms of advertising, online advertising, a person's recommendation is also advertising, with the rise of streaming media such as tik-tok, this form is very common nowadays. Let me give you an example of a brand, Blueglass Yogurt. The brand was established in 2012 as Achulagat embarked -Tibet yogurt. The brand is named after a place name in China, although it gives consumers a cordial feeling, it also makes people feel that this brand is very ordinary, and this yogurt is very common. And the name is really not that fashionable, so it was abandoned by young people, the main consumer group of yogurts. But after the brand changed its name to Blueglass in 2018, the brand also began to transform into high-end yogurt. Focus on health, nutrition, high quality. And started advertising on different social media. Not only does their yogurt add the usual fruit, but it's not enough to make it stand out if it's just fruit yogurt. It claims that yogurt has added a lot of nutrients such as Rossello deep-sea collagen peptide, amino acids, snow bird, tremella and so on. This is a new experience for consumers. A drink can contain so many nutrients that consumers feel it is worth it. The brand boasts of its benefits as well as gastrointestinal protection and weight loss, and Blueglass Yogurt as a healthy meal replacement drink. This taps into many young people's anxieties about health, appearance, and the pursuit of a high quality of life. People are comfortable with the price of about 50 yuan for a cup of yogurt. (Usually, the average price of drinks in the Chinese market is around 19 yuan) and drinking Blueglass has become a trend, which also encourages more people to consume and strengthens the high anchor value of the brand in the minds of consumers. Even if these merchants exaggerate the nutritional content of yogurt, many consumers have stomach pains after eating yogurt. People still see Blueglass as a premium brand and are willing to pay for it. Data show that Blueglass stores are concentrated in first-tier cities, and the monthly turnover of some stores exceeds 1 million yuan, and its turnover shows a steady upward trend. This indicates that the herd mentality of consumers will encourage consumers to follow the trend and deepen the influence of anchoring effect [22]. This high anchoring can be deepened by conformity consumption, which is a socially oriented behavior, similar to the conformity consumption of luxury goods [23].

4. The Relation of Buyers and Sellers under the Consumerism

Both merchants and buyers are affected by the anchoring effect. The anchors received by merchants and buyers are provided by each other and affect each other. Nowadays, consumerism is prevalent, and buyers are pursuing high quality of life and high-end products. Most people think that the price of a product is the most able to reflect the quality of the product and their own economic level. So, they go for high-priced, well-known goods and readily accept the brand premium. Sometimes buyers are willing to pay for publicity, even if the real value of an item is far less than its price tag. Because they believe that the better quality of life, the emotional value that such goods can bring to them, and the increase in their social recognition of such goods are worth a high price. This provides a high anchor not only for their own psychological expectations, but also for businesses. Merchants will be more willing to produce high-priced goods and will invest a lot of experience in packaging a product's brand concept. This in turn attracts customers with high psychological expectations, and when the product becomes hot, most customers will be influenced by the high anchoring effect and accept the price. And such goods will become more popular, with consumers willing to pay even after merchants raise prices. Of course, there is also the influence of herd mentality. The anchoring effect circulates and influences each other among customers and merchants.

5. The Analysis of Advantages and Disadvantages of Anchoring Effect

For buyers, using the anchoring effect allows them to buy the goods they want at a lower price relative to the original selling price. Merchants can also use promotions to boost corporate profits and solve unsalable products. Even for the business, the quality of the product itself gives it the actual

value is not so important, as long as they use effective sound means, fit the preferences of the public can improve the value and status of the product in the hearts of customers, easily provide them with a high anchor. To produce goods at a relatively low cost and sell them at a relatively high price in order to increase the company's profits. However, obviously, this is unfair to customers, who may have higher price expectations because of the publicity and high evaluation of the product, and may buy the product at a high price that does not meet their expectations. The company will not benefit completely. With the popularity of the product, more and more real negative comments will appear, which will lead to the bad impression of the public on the product, and they will gradually be no longer willing to pay high prices, so the situation of wage management will be difficult.

6. Conclusion

This study discusses the application of anchoring effect in real life, and the influence of anchoring effect on consumer behavior and consumer psychology at both the business and consumer ends. And through the experimental data and real case analysis, it is concluded that in a variety of retail environments, anchoring effect has an inevitable impact on both consumers and sellers. The experienced seller and buyer also influenced by potential anchor. This is reflected in Pricing negotiation, where the price proposed by the consumer becomes the anchor that affects the seller's offer, aspiration level and bottom line. At this time, the merchant should confirm a clear aspiration price in advance to reduce the impact of the anchor proposed by consumers. It is more beneficial for merchants to know the reservation price of consumers. Merchants can use market prices to set prices, which reduces the possibility of haggling.

The anchoring effect has an important influence on consumers' purchasing decisions.

1) The promotional activities launched by sellers, including discounts and gifts, will generate price anchoring for consumers. In general, consumers like promote sales, because with the original price as the anchor point, consumers think that the discounted price is more reasonable, so they think that the product has become more cost-effective and thus promote consumption. Consumers have different preferences for different forms of promotion. The data proves that consumers prefer promotions in the form of discounts. And consumers who receive gifts overestimate the actual value of the gifts they receive.

2) Consumers are anchored by the marketing of merchants and the behavior of the public. The brand effect caused by advertising will provide a high anchoring value for consumers. Merchants attract audiences that match their own ideas by marketing their brand ideas. They will willingly accept the high price offered by the merchant. The brand will become popular because of the herd mentality in society. Then more and more consumers will deepen the high-end image of brand marketing and further deepen the anchoring effect.

In the future, merchants can use the anchoring effect to develop more reasonable pricing and discount strategies to solve the problem of unsalable goods and improve corporate profits. For example, raising prices to increase revenue after a brand has established a premium image. It is also possible to study how to help consumers avoid anchoring effects through education.

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