

HOW MUCH WOULD YOU LIKE TO PAY? --AN EXPERIMENTAL STUDY ON REPEATED ANCHOR IN WEB SITE DESIGN

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ABSTRACT

Appropriate use of messages embedded in web pages can promote sales and raise the consumers' willingness-to-pay and thus increase the possibility to earn more profits. The phenomenon in which people's price estimates are influenced by an anchor refers to the anchoring effect. Current study conducted an experiment to examine the existence of anchoring effect in Internet shoppers' price estimates. Moreover, the moderating role of repeated-anchor was also considered. The results showed that the anchoring effect was diminished when there was only one anchor in the web page. When the anchor appeared three times, the anchoring effect was observed.

INTRODUCTION

The phenomenon in which people's price estimates are influenced by an arbitrarily chosen reference point refers to the anchoring effect [4]. However, very little is known about anchoring effect in online retail store settings. Most of the anchoring studies involve two separate judgments—an initial comparative judgment followed by an absolute estimate. Unfortunately, one can hardly ask consumers to answer a comparative question before they make purchase decisions in online retail environment. Thus, a practical experimental design to induce anchoring effect in e-commerce setting is needed. This design should involve only the absolute estimate process. The first goal of current study is to understand that if the anchoring effect holds when participants are not asked to make the comparative judgment. Our second goal is to include a repeated anchor mechanism in experiment to understand if the repeated anchor moderates the anchoring effect.

LITERATURE REVIEW

Most of the anchoring studies (i.e. [5][6][3]) are conducted in a two-staged design which was first introduced by [4]. In the comparative judgment, an anchor was provided explicitly as the standard of comparison. In the next stage, participants were asked to estimate the target value. A common finding can be observed is that high anchor results in higher final estimates than low anchor.

[1] argued that the comparative process ensures participants attend to the anchor and result in the anchoring effect. In this study, the experiment was conducted in a one-staged design which involves only the absolute estimate. [5] suggested that the amount of attention paid to the anchor is a key to induce anchoring effect. Therefore, we postulate that the more times the anchor point appears, the more the possibility that participants attend to the anchor and thus the greater the anchoring effect.

METHOD

A 2 (anchor: high/low) × 2 (anchor reinforcement: repeated/normal) between subjects factorial design experiment was conducted. 159 undergraduate students were recruited as participants and were randomly assigned into one of the four conditions. An experimental web site was established to examine the anchoring effect in a fictitious online retail store. The anchors involved two levels, 38800 and 900 for high and low anchor respectively. In normal-anchor condition, the anchor is shown once in the second page, whereas in repeated-anchor condition, the anchor values were presented in three different locations of the second page. Four different evaluations of the target product were collected in an online questionnaire, including: (1) the appraised value of the target product, (2) the initial offer, (3) willingness-to-pay, and (4) the highest offer (the reservation price).

DATA ANALYSIS AND CONCLUSIONS

Four independent ANOVA tests with anchor (high/low) as independent variable and each of the four price estimates as dependent variables were used for statistical analysis. Significant main effects of anchor treatment were observed on all four dependent variables. A further inspection of the moderating effect of repeated-anchor manipulation indicated that the anchoring effect disappeared in normal-anchor condition. Therefore, the elimination of comparative judgment process mitigates the anchoring effect. Moreover, there exists a significant anchoring effect in repeated-anchor condition. The result revealed that anchor reinforcement treatment moderates the effect of anchoring on participants' price estimates.

Findings in current study suggest that anchoring effect is diminished in one-staged experimental design. However, the repetition of anchor can contribute to the occurrence of anchoring effect. This result is of merit in both anchoring effect and e-commerce research domain. First, the one-staged experimental design of anchoring studies has remained largely unexplored. Current study makes up for the deficiency in this area. Second, in online retail settings, web site can be designed by, for example, incorporating the anchor in the product description to influence the consumers' price estimates and create a desired online shopping environment. Moreover, embedding the anchor point in the banner and putting it on the top of web page is also a possible way.

Future research should help expand these anchoring effect findings to other web site designs. Furthermore, the role of repeated-anchor or other mechanisms to induce anchoring effect in online retail setting warrants further consideration.

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