

eBay Mind Games

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Psychologists have long known that when two people haggle over a price, it pays for the seller to start high.

The first price named is what [psychologists](#) call an "anchor," a number that can powerfully push our decisions one way or the other. When anchored to a lower initial asking price, a buyer will be willing to pay less at the end of a negotiation.

But recent research suggests that people auctioning their belongings on [eBay](#) should follow the opposite advice as negotiators. Data from auctions of everything from digital cameras and DVDs to Persian rugs and Hawaiian shirts reveal that asking for less initially tends to lead to higher final prices, according to research highlighted in the latest issue of *Current Directions in Psychological Science*.

When groups of people participate in an [auction](#), a lower starting price tends to attract the interest of more bidders. This creates a herd mentality that overwhelms any anchor effects and drives up prices, according to Adam Galinsky of Northwestern University in Evanston, Ill.

The number of times an item has been bid on tends to be mistaken as a sign that it is more valuable. Potential bidders are more likely to participate in an auction that started low and attracted more bids than an auction that started high and attracted fewer bids -- even if the latest price for each is the same.

As the price rises, those bidders who got in early -- who have already invested time and energy in the bidding -- tend to stay in. They help to continue to drive up the prices.

The science supports the official recommendations eBay's website offers to sellers: "Many sellers that sell in an action-style listing format, find that setting a low opening bid with no reserve jumpstarts bidding and increases their final selling price."

But Galinsky advised that buyers who are aware of this psychological trap can also avoid it.

"On average, you're better off staying away from high traffic auctions," he said.

Provided by Inside Science News Service



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