



NEGOTIATING LIFE

To move or to wait? Everything you need to know about making the first offer

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Abstract Most people believe that negotiators should avoid making the first offer. Yet, decades of research have documented the first-offer effect, wherein the person who moves first achieves a better outcome than the person who moves second. This gap between lay beliefs and research evidence may stem, in part, from the fact that studies on the first-offer effect are scattered across numerous scientific articles and journals. In hopes of bridging the gap and providing useful guidance to negotiators, this installation of Negotiating Life seeks to synthesize the evidence in one place. Reviewing many of the major articles on the first-offer effect, it concludes that negotiators should generally strive to make the first offer for specific reasons, in specific situations, and in a specific fashion.

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1. Anchors aweigh!

Picture yourself negotiating. Should you make the first offer? Common sense, common wisdom, and many corners of the internet say no (e.g., [Dell & Boswell, 2009](#); [McCormack, 1984](#)). Before opening your trap, they caution, see what the other side says. That way, you might get a great deal or at least avoid a bad one. Well, if that's what common sense, common wisdom, and the internet suggest, I'm sorry to say they serve you poorly. Despite correctly identifying an intuitively appealing argument in favor of moving second (i.e., the idea that we might

learn something), they miss a very important risk: that we easily could get anchored.

The best way to introduce the concept of anchoring is to detail how I demonstrate it in the classroom. "I'm going to ask you a series of questions," I tell my students. "Please record your answers." I then ask the following questions, pausing after each to let people write:

1. What are the last four digits of your cell phone number?
2. Compared to that number, are there more or fewer medical doctors in the city of New York?
3. How many medical doctors are there in the city of New York?

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“Now, whose phone number starts with a 1 or 2?” I ask. A few hands go up. “And how many doctors are there in New York?” On the board, I record their answers, which typically fall in the 5,000–7,000 range. “And whose phone number starts with an 8 or 9?” I ask, then repeat the doctor question. Again, I record their answers, but New York now has more like 20,000–30,000 doctors.

This is the robust psychological bias known as *anchoring*: using whatever number we have on-hand, however relevant, to make an ambiguous judgment (Tversky & Kahneman, 1974). Nobody really knows how many doctors there are in New York (the figure is uncertain), but the students use their phone numbers because I lead them to. And that’s what the person who makes the first offer in a negotiation does: leads the other person to fixate on a particular number even when it’s obvious they shouldn’t. Thus, we observe the *first-offer effect*, in which counteroffers and final offers correlate strongly with the first offer, making first offers among the best predictors of final prices. Put differently, final prices often end up higher when sellers versus buyers go first in negotiations (Benton, Liebling, & Kelley, 1972; Chertkoff & Conley, 1967; Galinsky & Mussweiler, 2001; Gunia, Swaab, Sivanathan, & Galinsky, 2013; Liebert, Smith, & Hill, 1968; Yukl, 1974).

For this and a few other reasons described herein, negotiators are generally advised to make the first offer if they can—no matter what else common sense, common wisdom, and the internet may say. But that still leaves a lot of questions unanswered. Perhaps you’re not yet convinced, sure when this advice applies, or clear on how to formulate a first offer. Drawing from the extensive research literature on the first-offer effect, this article will attempt to answer those questions, providing everything in one place that you need to know about the first offer.

2. Why should I make the first offer?

Maybe you’re not yet convinced. That’s ok; I’m hoping it just means I need to say a bit more. So here’s some additional detail on anchoring, along with complementary reasons to consider moving first. To elaborate on anchoring, the fundamental problem is not the anchor; it’s the fact that the person who hears it has a hard time ignoring it. Thus, the full name for the anchoring bias is ‘anchoring and insufficient adjustment’ (Tversky & Kahneman, 1974), which implies that people know they need to adjust from anchors but don’t go far enough in that adjustment. Imagine you’re buying a used car, and

the seller makes the first offer of \$10,000. Anchoring and insufficient adjustment means that you know you need to respond with a lower number, but you say \$7,500 instead of the \$5,000 you would’ve said if you had moved first.

Another, complementary reason for the first-offer effect is selective accessibility, meaning that first offers change the way we think about whatever we’re negotiating (Mussweiler & Strack, 1999a, 1999b). Specifically, first offers lead us to come up with reasons why the price might be justified. So when you receive the \$10,000 offer, you might start fixating on the car’s nice stereo and fancy rims. Conversely, if you had made the first offer of \$5,000, the seller would’ve probably remembered its broken air conditioner and persistent pet smells. These thoughts work in concert with anchoring. We adjust insufficiently, in part, because we start thinking the anchor is justified.

In addition to these major reasons for the first-offer effect, first offers are essentially public commitments to aggressive numbers, typically the negotiator’s goal. To the extent that the person who moves first then feels compelled to think about and argue for their goal rather than a wimpier number, they may be better equipped to achieve it (Galinsky, Mussweiler, & Medvec, 2002). Additionally, a first offer reflecting a negotiator’s goal leaves a lot of room for negotiation, creating the ironic possibility that the negotiator who made it will later look flexible. So if you offered \$5,000 for the car when you were willing to pay up to \$8,000, you’ve got \$3,000 worth of potential concessions in your pocket. “What a collaborative counterpart,” they’ll think, as you rattle off concessions. But what if you started at \$7,750, in a *real* (albeit misguided) attempt to be collaborative? Seeing you make a whopping \$250 in concessions, their impressions of you would probably be . . . eh hem, less positive.

3. When should I make the first offer?

Maybe you’re convinced that you should move first but are wondering how broadly that advice applies. The short answer is: broadly. And the reason is clear. The underlying process (anchoring) guides people’s judgments in a surprising array of situations, from courtroom judgments (Englich & Mussweiler, 2001) to interpersonal perceptions (Gilovich, Medvec, & Savitsky, 2000) to estimates about the likelihood of nuclear war (Plous, 1989)—anytime the ‘right’ answer is ambiguous. Accordingly, you should consider making the first offer when you and someone else find yourselves at odds over a vague judgment (i.e., anytime you disagree but the answer is less than

crystal clear). Think about that definition and you'll see it applies to most negotiations and many non-negotiation situations in which you still negotiate (e.g., convincing your kids to eat, your coworker to assume more responsibilities, or your spouse to see a rom-com instead of a horror flick¹).

But what if you're negotiating in another culture, in the absence of power, or over a complicated and multi-faceted set of issues? These all seem like situations in which you might not want to move first. Wouldn't people from less assertive cultures be offended? Wouldn't I look silly making offers without power? Wouldn't I give away the farm if I make an offer covering numerous issues? My work with several collaborators (Gunia et al., 2013) investigated all of these issues in tandem, and showed that none of them limit the power of the first offer. The first-offer effect is global (presumably because it's cognitively hardwired) and actually makes up for a power deficit (avoiding the first offer poses particular risks for low-power parties). Additionally, first offers help in complicated multi-issue negotiations, especially by anchoring the other side on competitive, often monetary issues.

These common objections to the first-offer effect don't hold much water. But a few select situations do limit the first offer's benefits. The most obvious is when you truly can't make the first offer because the rules won't let you. Consider, for instance, buying a car. In this situation, you can't move first; the sticker price already does that (although you don't have to look at it). First offers also help less when you find yourself at a major informational disadvantage. If you stumble onto your Great Aunt Thelma's 12th-century Belgian urn and try to sell it to the Pawn Stars, they probably know more about urns than you do. That said, the internet has information on urns, and you can certainly approximate the value of yours by receiving multiple bids. Such a lopsided negotiation is probably the exception. Finally, first offers help less when you're not yet included in the negotiation. For example, prospective employers love to ask about minimum salary requirements on job applications. Since they're still deciding who to consider, your first offer could hurt by getting you excluded as a candidate. Your goal is to be included in the pool, then seek opportunities to make the first move.

4. How should I make the first offer?

Perhaps you now appreciate when and why to move first but still wonder how. It goes without saying, but I'll say it anyway: First offers do little good unless they benefit you. You want to make a first offer that is aligned with your target: the best possible outcome you could ever expect to receive. Both parts of that definition matter, as a target is neither any old outcome nor pie-in-the-sky; it's an aggressive but attainable figure. But that begs the question: How do you discover such a figure?

It's not easy. The best method I know is to use whatever imperfect background information the world provides to estimate the other side's bottom line. Ask yourself: What is the worst deal they'd still accept? Then, make your target slightly more aggressive. If your search of sites like Kelley Blue Book and Edmunds produces a lowest possible price of \$6,000 for the used car, set your target and make your first offer around \$5,500. Assuming accurate research and a halfway rational counterpart, your opponent may shudder but shouldn't walk away, this offer being a mere \$500 from another they'd likely but begrudgingly accept. Some simple guidelines can help make your aggressive offer attractive.

- Be confident in your speech and demeanor. Phrase your offer as a statement, not a question. Avoid terms like 'about' and 'somewhere around.' Resist the temptation to immediately revise the number.
- Be precise. . .but not too precise (Loschelder, Stuppi, & Tröetschel, 2013; Mason, Lee, Wiley, & Ames, 2013). An offer such as \$5,525 might work. It sounds like you've done your homework and/or have specialized knowledge about this car. \$5,525.43 probably won't work. It sounds fishy.
- Avoid ranges. For example, if you say \$5,500 to \$6,500, the other side won't even hear the first number; they'll just pick the part of the range they like. Some interesting research (Ames & Mason, 2015) suggests that you can capitalize on this tendency by making the higher number your target (e.g., \$4,500–\$5,500). If you're comfortable with that approach, run with it. The risk of this strategy is that your opponent might consider the range outrageous, and first offers perceived as ludicrous tend to make people angry and drive them away from the table (Schweinsberg, Ku, Wang, & Pillutla, 2012).

Remember: First offers should be based on your target, an aggressive but attainable figure. If you

¹ Visit my blog, <https://briangunia.com/my-blog-lifes-negotiable/>, for many more examples.

lose sight of the ‘attainable’ part, your adversary could abandon you. By the same token, if you lose sight of the ‘aggressive’ part, they could give you just what you asked for—resulting in buyer’s remorse. Set your target carefully and use it to make your first offer. When you do, resist the temptation to label it a first or first and final offer. The former will probably take the weight out of your anchor, and the latter will likely make the other party feel cornered (Forkosch, 1970).

Here’s the most important ‘how’ of all. I’ve advised you to make the first offer when you can. I haven’t advised you to make an offer *first thing*—even before your counterpart sits down, clears her throat, or opens her notebook. Those are two very different pieces of advice. Let me be clear: You want to be the first person to make an offer. You probably don’t want to make an offer as the first order of business. Doing so risks giving away something important that your opponent could use against you (Loschelder, Swaab, Tröetschel, & Galinsky, 2014). It also prevents you from learning anything about them that could, perhaps, make your first offer even more persuasive. Spend as much time as possible learning about your rival and informing them about you. Then, fire off an offer just before they do. This is not a risk-free strategy, but very little in life really is.

5. Conclusion

When it comes to moving first in a negotiation, common sense, common wisdom, and popular websites often misinform us. Thus, you should consider rejecting such counsel by making the first offer if you can. I hope this article provides some useful insights into why, when, and how first offers should be made. Anchors aweigh!

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