



## 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

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