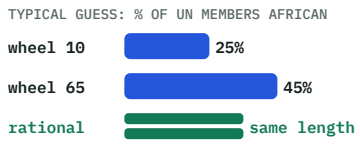
Why does $9.99 work?

The first number you see pulls your answer, and the left digit counts most: anchors, reference prices and $9 endings.

1 Anchoring

the first number pulls

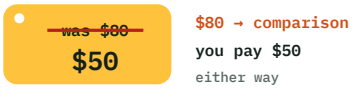
- **Anchoring**: "a number seen first pulls your estimate toward it, even when the number means nothing"
- Self-test: tallest tree taller or shorter than **300 m**? → guesses pulled up · real: redwood Hyperion ≈ **116 m**
- **Wheel** (1974) · **Tversky** + **Kahneman** (Israeli-American psychologists) · secretly fixed wheel → **10** or **65** → % of UN (United Nations) members that are African? → typical guess **25%** vs **45%**
- Anchors pull, do not decide: wheel `× 6.5` → guesses `× 1.8` · donation buttons $5-$10-$20 → $20-$40-$80 (`× 4`) → gift **up**, far less than × 4



2 Reference price

what you compare with

- **Reference price**: "the price a buyer compares with to decide if a price is high or low"
- Tag ~~$80~~ **now $50** → you pay **$50** either way · the $80 = **anchor** → $50 feels like a $30 bargain
- Chain: tag → **$80 = comparison** → bargain feeling → more jackets sold → shop prints more "was" prices



3 Left digit

we read from the left

- **Left-digit effect**: "the first digit gets the most weight, so $19.99 feels closer to $19 than to $20"
- $19.99 → $20.00 = **+1¢** paid · feels far bigger ("nineteen..." → "twenty")
- Basket $19.99 + $9.99 + $2.99 → eye: `19 + 9 + 2 = $30` · real: `20 + 10 + 3 − 3¢ = $32.97` → ≈ **$3** hidden

PRICE	EYE READS	ROUNDED UP
$19.99	$19	$20
$9.99	$9	$10
$2.99	$2	$3
total	$30	$32.97

4 The model

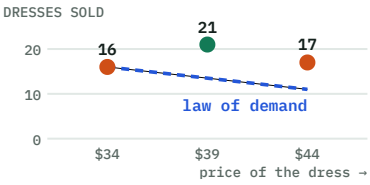
rational benchmark · real buyer

- **Demand curve** (Micro Lesson 2) → units bought at each price, as if buyers knew what the good (thing on sale) is worth
- `RATIONAL BENCHMARK` ideal buyer of economics · worth inside your head, never changes → $50 jacket = $50 in every shop
- `REAL BUYER` often no idea → **borrows** a worth from the nearest number: price tag, neighbor, last year
- **Law of demand**: "price rises, nothing else changes → people buy less"

5 Evidence

the $39 dress · 2003

- **Eric Anderson** + **Duncan Simester** (US business-school professors) · women's clothing catalog · same dress, 3 random groups
- **$34 → 16** sold · **$39 → 21** · **$44 → 17** ⇒ +$5, **more** sales → against the law of demand → only the **9 ending** changed
- Dress = first small test → 3 bigger experiments: 9 ending ↑ sales every time · **stronger on new items** → no remembered price → the ending = only hint
- Sandwich test (made-up): $6.00 → 50, $8.00 → 30 → law: −10 per $1 → $6.99 predicted **40** · really **52** → **+12**



6 So what

who uses it · defense

- **Who uses it**: shops → endings in 9 · crossed-out "was" prices · a high price shown first ⇒ they set the number you compare with
- **Your defense** (anchor check): **round up** ($19.99 → $20) → **remove the anchor** → "would I buy it at this price with **no other number**?" → breaks the chain at link 2
- Rational ≠ same answer: Mia (light worth $15, costs $25) walks away ✓ · Kai (game $19.99 ≈ $20, worth $25) buys ✓

Watch out: a "was" price changes what you **compare with**, not what you **pay** · $19.99 is $20, not $19 · anchors pull even when you know they are random