



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.

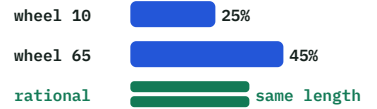
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Anchoring

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 $\approx$ **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 $\times$ **6.5** → guesses $\times$ **1.8** · donation buttons \$5-\$10-\$20 → \$20-\$40-\$80 ($\times$ **4**) → gift **up**, far less than $\times$ 4

TYPICAL GUESS: % OF UN MEMBERS AFRICAN



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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



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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 → $\approx$ **\$3** hidden

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

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The model

benchmark · real buyer

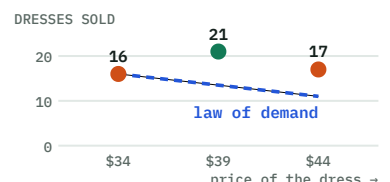
- **Demand curve** (Micro Lesson 2) → units bought at each price, as if buyers knew what the good is worth
- **RATIONAL** worth inside your head, never changes → \$50 jacket = \$50 in every shop
- **REAL BUYER** often no idea → **borrow**s a worth from the nearest number: price tag, neighbor, last year
- **Law of demand:** “price rises, nothing else changes → people buy less”

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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 is the only cue
- Sandwich test (made-up): \$6.00 → 50, \$8.00 → 30 → law: -10 per \$1 → \$6.99 predicted **40** · really **52** → **+12**



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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 $\neq$ same answer: Mia (light worth \$15, costs \$25) walks away ✓ · Kai (game \$19.99 $\approx$ \$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