STREET STREAKER CLASS RESULTS--ANCHORING EFFECT
Fall 1999
Raiffa's Predicted Agreement = .5*(Buyer's Opening Offer + Seller's Response)

Raiffa's Prediction vs Actual

Raiffa

Actual

2000 2500 3000 3500 4000 4500
Regression Based Predicted Agreement = 2000.53 + .0113 * Buyer First + .1872 * Seller Response

Correlation Between Buyer's Opener and Seller Response is Negative! = -.592

This means that, on average, a very low opening by the buyer was countered with a very high response from the seller. The seller response dominates: each $1000 increase in seller response, on average, adds about $187 to the settlement price, while each decrease of $1000 in the buyer's opener, on average, decreases the settlement price by only about $11.30—an order of magnitude difference in effect.

[Side Note: We have a small sample size here!]