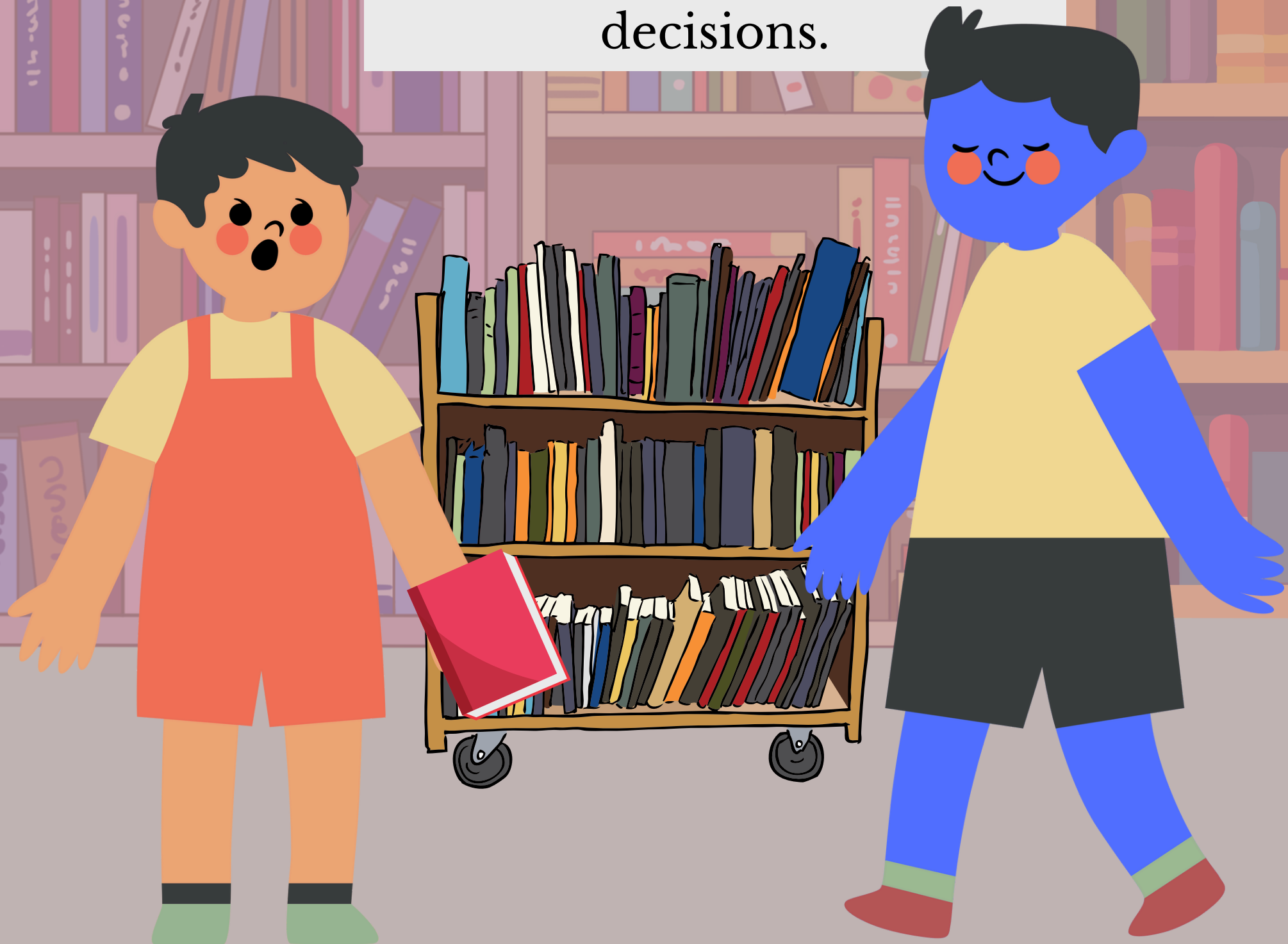


Krishna, why do I feel
like this book is cheaper
just because it's marked
down from a higher
price?



That's due to a cognitive bias called the **anchoring effect**, Arjun. Our minds rely heavily on the first piece of information we receive—the anchor—when making decisions.



SUDAAMA LIBRARY

So, the original price
acts as the anchor?



Exactly. When you see a high original price, the discounted price seems like a great deal, even if the final price is still relatively high.



That's sneaky. How does
this affect our daily
decisions?



It can influence many decisions, from shopping to salary negotiations. People often base their judgments on the initial information they receive.






Can we avoid falling for
the anchoring effect?

Awareness is key. Knowing
about the anchoring effect
helps you critically evaluate
the first piece of
information and look for
additional data before
making a decision.

An illustration of two children in a library. On the left, a boy with dark skin, black hair, and rosy cheeks stands wearing a yellow t-shirt and orange overalls. On the right, a girl with light blue skin, black hair, and rosy cheeks stands wearing a yellow t-shirt. They are positioned in front of bookshelves filled with books. A red arched sign above the shelves reads 'SUDAAMA LIBRARY'. A small desk with a pencil holder and books is visible under the arch. A large, stylized Greek letter Psi (Ψ) is in the top right corner. A brown text box is on the left, and a white text box is on the right.


What about when negotiating prices?

Try to set your own anchor first. For example, when negotiating a salary, propose your desired amount before the employer mentions their offer.

An illustration of two children in a library. On the left, a boy with orange skin, black hair, and a white smile, wearing a yellow shirt and orange overalls, stands with his arms slightly out. On the right, a girl with blue skin, black hair, and a smile, wearing a yellow shirt and blue pants, stands with her arms slightly out. Between them is a small wooden cart filled with books. In the background, there are bookshelves filled with books. A red archway above the shelves reads 'JUDAAMA LIBRARY'. In the top right corner, there is a small illustration of a golden chalice or trophy. A brown text box is positioned in the upper left, and a white text box is positioned in the lower right.

That makes sense. So, it's about taking control of the initial information?

Yes. By setting your own anchor, you can influence the range of possible outcomes in your favor.



Thanks, Krishna. I'll definitely use this next time I'm shopping or negotiating.

Excellent.
Understanding cognitive biases gives you a powerful tool for making more informed choices.