

Decision Processes Colloquia

Monday, April 17, 2017

Where: 260 JMHH

When: 12:00 – 1:15 pm

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Anchors, Target Values, and Credit Card Payments

ABSTRACT:

Anchors and reference points differ in important ways. Most notably, reference points serve as targets, with motivational properties, whereas anchors act as neutral starting points for subsequent judgments. People will exert extra effort to meet or exceed a reference point, aiming to shift from a value below the reference point to one above it. In contrast, although people will shift their judgment in the direction of the anchor, they are unlikely to move their judgment from one side of the anchor to the other. This distinction can lead to meaningful differences in interpretation and generalization of results. Nonetheless, academics often use these terms interchangeably. For example, research in psychology has shown that presenting minimum payments on credit card statements can actually reduce the amount people pay toward their bill (e.g., Stewart, 2009). These studies have either been agnostic as to whether these minimum values serve as anchors or as reference points or have claimed they operate as anchors. Through several experiments and examination of a large credit card data set, we investigate this difference and find that values on credit card statements can serve as motivating target values that can be effective at increasing monthly payments when constructed wisely. Furthermore, we find that credit card users are able to select effective goals for themselves. We use this as a case study for an exploration of the distinction between anchors and reference points.

