*Corrigendum*

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# Corrigendum: In Generous Offers I Trust: The Effect of First-Offer Value on Economically Vulnerable Behaviors

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Recently, the authors became aware of some minor errors that occurred while they were merging the different .csv files provided by the research assistants who coded the data. These errors, which occurred only in Study 1, do not affect the interpretation of the results or the wording of the text. This Corrigendum is correcting the affected values in the following passages:

In the final paragraph of the Study 1 Method (p. 647), the fourth sentence is being updated as follows: "The two research assistants had a high agreement rate: They agreed with respect to test rides on 92.3% of the messages and with respect to negative disclosures on 95.0% of the messages."

The first three paragraphs of the Study 1 Results (p. 647) are being replaced with the following:

> Not surprisingly, high first offers generated more replies (79.4%) than did low first offers (62.1%), $\chi^2(1, N = 513) = 18.48$, 95% confidence interval (CI) for the odds ratio (*OR*) = [1.58, 3.48], $p < .001$, Cramér's $V = .190$. In their responses to the buyer, 43.3% of sellers overall included a counteroffer; 45.6% of sellers who received high offers and 40.3% of sellers who received low offers responded with a counteroffer, $\chi^2(1) = 1.04$, $p = .309$.[1]
>
> Importantly, among the sellers who responded, 46.1% of those who received high first offers agreed to a test ride with no collateral, whereas only 32.1% of sellers who received low first offers agreed to this condition, $\chi^2(1, N = 363) = 7.30$, 95% CI for the *OR* = [1.18, 2.79], $p = .007$, Cramér's $V = .142$. Our results held when we considered the entire population of sellers contacted: 36.6% of sellers who received high first offers agreed to a test ride, compared with only 19.9% of sellers who received low first offers, $\chi^2(1, N = 513) = 17.54$, 95% CI for the *OR* = [1.56, 3.45], $p < .001$, Cramér's $V = .184$.
>
> Interestingly, we also found that 16.7% of the sellers who received high first offers disclosed negative information about the bike in their responses, whereas only 6.9% of the responses from sellers who received low first offers did so, $\chi^2(1, N = 363) = 7.82$, 95% CI for the *OR* = [1.32, 5.50], $p = .005$, Cramér's $V = .147$. Again, our effect held when we looked at the original sample size: 13.2% of sellers who received high offers disclosed negative information, compared with only 4.3% of sellers who received low offers, $\chi^2(1, N = 513) = 12.79$, 95% CI for the *OR* = [1.68, 6.86], $p < .001$, Cramér's $V = .151$. Thus, receiving a more desirable first offer led sellers to disclose more undesirable information about their bike, such as information about dents, scratches, and flat tires. The more favorable a deal was, the more willing participants seemed to be to disclose information that could potentially jeopardize that deal.

Relatedly, in Note 1 (p. 653), the original first sentence is being deleted, and the values are being updated in the remaining sentence. The full note will thus read, "Sellers who received low offers counteroffered with 82.41% of the list price, whereas sellers who received high offers counteroffered with 88.27% of the list price, $t(89.02) = -4.64$, $p < .001$."

*Research Article*

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# In Generous Offers I Trust: The Effect of First-Offer Value on Economically Vulnerable Behaviors

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**Abstract**

Negotiation scholarship espouses the importance of opening a bargaining situation with an aggressive offer, given the power of first offers to shape concessionary behavior and outcomes. In our research, we identified a surprising consequence to this common prescription. Through four studies in the field and laboratory (total $N$ = 3,742), we explored how first-offer values affect the recipient's perceptions of the offer-maker's trustworthiness and, subsequently, the recipient's behaviors. Specifically, we found that recipients of generous offers are more likely to make themselves economically vulnerable to their counterparts, exhibiting behaviors with potentially deleterious consequences, such as disclosing negative information. We observed this effect in an online marketplace (Study 1) and in an incentivized laboratory experiment (Study 3). We found that it is driven by the greater trust that generous first offers engender (Studies 2 and 3). These results persisted in the face of debiasing attempts and were surprising to lay negotiators (Studies 3 and 4).

**Keywords**

attribution, interpersonal interaction, judgment, social interaction, inference, open data, open materials, preregistered

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Opening offers in negotiations serve as powerful anchors that shape concessionary behavior and outcomes (Gunia, Swaab, Sivanathan, & Galinsky, 2013; Neale & Bazerman, 1991; Yukl, 1974). Thus, scholars advise negotiators to start bargaining by anchoring aggressively (Benton, Kelley, & Liebling, 1972; Chertkoff & Conley, 1967; Malhotra & Bazerman, 2008). In the present research, we identified a surprising consequence to this common prescription. Through four experiments in the field and laboratory, we explored how first-offer values affect perceptions of the offer-maker's trustworthiness and subsequently influence the counterpart's behaviors. Specifically, we found that recipients of generous offers are more likely to make themselves economically vulnerable to their counterparts, which can have potentially negative consequences. This effect is driven by the greater trust that generous first offers engender. Our results were robust to debiasing attempts and surprising to lay negotiators.

## Social Perception in Negotiations

Although negotiation outcomes are driven primarily by features of the bargaining zone and by market conditions, individuals often attribute negotiation behavior to party characteristics (Malhotra & Bazerman, 2008; Thompson, 2009; Wheeler, 2000). Negotiators perceive counterparts with larger constraints as having greater competitive intent (Kelley & Stahelski, 1970) and believe haggling to be indicative of their counterparts' disagreeable nature (Morris, Larrick, & Su, 1999). Negotiators even make inferences when interpreting the format of offers, judging makers of precise offers to be more informed (Mason, Lee, Wiley, & Ames, 2013).

Negotiation theory argues that first offers should reflect the size of the bargaining zone and available market alternatives (Malhotra & Bazerman, 2008; Thompson, 2009; Wheeler, 2000). This set of "rational-negotiator" inferences, however, stands in contrast to anecdotal evidence from a broad variety of negotiation domains suggesting that individuals interpret unfavorable first offers as a signal of poor character, unfairness, or disrespect. Although

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such inferences may not be entirely unreasonable, a long-standing tenet of marketplace behavior is to buy low and sell high. If negotiators are assumed to be following this advice (and negotiation theory), undesirable offers should be interpreted as a sign of unfavorable market conditions, not nefarious interpersonal intentions. By contrast, extremely generous offers may be considered a sign of incompetence on the part of the offer-maker (who has failed to appropriately assess the market) or a warning that the offer-maker is engaging in cheap talk or even fraud.

In the present research, we examined whether negotiators make dispositional inferences regarding a partner's trustworthiness on the basis of the value of the first offer the partner extended and, consequently, whether those trustworthiness perceptions affect important negotiation behavior. Specifically, we hypothesized that negotiators who make more-generous first offers are perceived as more trustworthy than those who make less-generous first offers. These perceptions, in turn, induce offer recipients to engage in trusting behaviors that may put them at a bargaining disadvantage.

## Trust in Negotiations

*Interpersonal trust* is defined as the willingness to be vulnerable to exploitation because of positive expectations regarding another person's intentions or behavior (Rousseau, Sitkin, Burt, & Camerer, 1998). Trust is seen as an essential aspect of effective negotiations, leading to mutually beneficial outcomes (Neale & Bazerman, 1991; Thompson, Wang, & Gunia, 2010). In integrative negotiations, trust is a necessary precondition to value creation, as trust leads people to divulge critical information (Butler, 1991; Fisher, Ury, & Patton, 2011; Kimmel, Pruitt, Magenau, Konar-Goldband, & Carnevale, 1980; Pruitt & Lewis, 1975; Thompson, 2009). Although trust has not been studied as extensively in the distributive context, we argue that it still plays a crucial role. Even in purely competitive negotiations, trust matters for parties' willingness to engage in honest information exchange, follow through on their contractual commitments, and engage in future interactions. Indeed, when counterparts' financial interests are in direct opposition to each other, some level of interpersonal trust is required to take any statement or commitment at face value.

We earn people's trust by engaging in behaviors that display benevolence, integrity, dependability, and fairness (Butler, 1991; Mayer, Davis, & Schoorman, 1995). Thus, a generous first offer may increase a counterpart's perceptions of trustworthiness if it is seen as a signal of the offer-maker's good character. For example, individuals might infer that generous offers signal cooperative intent, as would be predicted on the basis of prior research on the perceptions of disagreeableness associated with haggling (Morris et al., 1999). Furthermore, generous first offers might signal a shared understanding of, and appreciation for, the value of the good or service in question (Byrne, 1969). Finally, a more-generous first offer might signal financial health and suggest greater dependability.

We hypothesize that once trustworthiness perceptions are formed early in the distributive negotiation, they will impact downstream behaviors. Specifically, we hypothesize that trustworthiness perceptions will induce individuals to agree to behaviors that may put them at risk of exploitation, a class of actions we refer to as *economically vulnerable behaviors*.

## Trust Perceptions Cause Economically Vulnerable Behaviors

Although the importance of trust in distributive negotiations has been largely overlooked by scholars, negotiators outside of the laboratory are faced with a broad array of choices, the outcomes of which depend on trust. Should I negotiate at your preferred location? Should I offer a free trial of the product? What assurances of creditworthiness are sufficient? These choices highlight that negotiators must expose themselves to material risk to advance bargaining, gather information, and ultimately close a deal. We refer to this class of behaviors as economically vulnerable behaviors.

Economically vulnerable behaviors depend on parties' trusting each other. If trust is misplaced, such behaviors can lead to negative outcomes, both financial and interpersonal. We focus here on one kind of economically vulnerable behavior: the disclosure of negative information. We define negative information in negotiations as any information that places the discloser at a potential bargaining disadvantage. This can include the revelation of flaws, precautions, or limitations regarding the negotiated item or service, or the revelation of the weakness of one's negotiating position.

Although sharing information is important to value creation in multiissue negotiations, disclosing negative information in a distribution negotiation can have potentially deleterious consequences, such as reducing one's leverage or causing one's partner to exit the negotiation entirely. If one trusts one's counterpart, however, economically vulnerable behaviors can be safely performed to advance bargaining under the expectation of reciprocity (Kong, Dirks, & Ferrin, 2014). In the current research, we found that as a result of potentially misplaced trust, negotiators were more likely to engage in economically vulnerable behaviors toward counterparts who make generous first offers.

## Research Overview

In four studies, we manipulated the first-offer value and measured the recipient's economically vulnerable behaviors toward the offer-maker. We documented that negotiators who receive more-generous first offers perceive offer-makers as more trustworthy (Studies 2–4). Recipients of generous offers are more likely to engage in economically vulnerable behaviors, such as disclosing negative information. We observed this effect in an online marketplace (Study 1) and in an incentivized laboratory experiment (Study 3). Perceptions of the offer-maker's trustworthiness mediated the relation between the first-offer price and recipient's likelihood of behaving vulnerably (Studies 2 and 3). This effect held despite debiasing attempts in which recipients were informed that first-offer values had been randomly assigned (Study 3a); the effect disappeared only when participants were made to explicitly acknowledge the randomization (Study 3b). Additionally, neither offer-makers nor recipients foresaw that the likelihood of behaving vulnerably would change as a consequence of the first-offer value (Study 4).

We preregistered our analysis plans, sample sizes, exclusion criteria, manipulations, and measures for three of our online studies (Studies 2, 3a, and 3b). We ran our field study (Study 1) before preregistration became our standard practice, but we report the sample size, the exclusion criteria, all manipulations, and all measures in this article. Preregistrations for Studies 2 and 3, materials for Studies 2 through 4, and anonymized data for all studies are posted on the Open Science Framework at https://osf.io/uzncm/.

## Study 1

### *Method*

Our initial test of the impact of first-offer value on the propensity of recipients to engage in economically vulnerable behaviors occurred in a field setting. We used an audit-study design in an active online marketplace where price negotiations are common: Craigslist.com.

***Participants.*** Our participants were 513 individuals who had listed a bicycle for sale in one of six large metropolitan U.S. cities (Boston, New York City, San Francisco, Chicago, Philadelphia, and Austin). We selected sellers who met all of the following criteria: They were selling a used bicycle valued at more than $500; they listed the bike as being in "like new," "excellent," or "good" condition; they represented themselves as a private seller; they posted their ad within 2 days of our search; they did not request a phone call or text response; and they did not declare that they would be opposed to negotiation.

***Design and procedure.*** We posed as a potentially interested buyer sending offer messages to participants and randomly varied the first-offer amount. We closely followed the design used in Jeong, Minson, Yeomans, and Gino (2019). We created a fictitious Gmail account with a gender-neutral name ("Riley Stone"), which allowed us to send all messages from the same source and to track responses.

Every message we sent alternated between a low or high first offer. We determined the offer percentages via a pretest ($N = 52$; age: $M = 33.63$ years, $SD = 12.08$ years; 61% male), in which we showed participants Craigslist postings for four different bikes ranging in price from $1,050 to $4,000. For each ad, we asked participants to imagine responding to the posting and to name an appropriate first-offer amount, given the list price. The four postings were shown in a randomized order. The median first-offer amount was 69% of the list price. Using this as a benchmark in our main study, we defined low offers as 59% of the list price and high offers as 79% of the list price, rounded up to the nearest $5.

For each message, we used the same text:

> Hey there, That's a sweet ride you have. Definitely interested. I can pay $xxx for it. Would you be ok with me taking it for a test drive first? Also, is there anything I should know about the bike? Have you had any issues or problem with it? Thanks, Riley.

The "xxx" in the message was replaced by a dollar amount that corresponded to 59% or 79% of the list price, as determined by random assignment.

We received approval from the Harvard University Institutional Review Board to conduct this study in a way that minimized any costs imposed on participants. The marketplace we studied, Craigslist.com, is an unmoderated digital message board with no formal means of exchange. Buyers and sellers are expected to explore options over e-mail before eventually meeting in person, and there are no guarantees of sale from initial contact. We initially sent one e-mail to each seller. If we received a response, we replied with a standard message within 24 hr: "Thanks for the reply. I actually found another bike to buy, so I am no longer interested in yours. Good luck!" If the seller replied multiple times before we sent our response, all of these replies were included in our analyses. We did not include any messages sent by sellers after they received the standard response.

All replies, including time stamps and the text of messages, were tracked automatically by Gmail. Two research assistants blind to hypothesis and condition read these messages and coded them as 1 if the seller offered a test ride or 0 if the seller made no mention

of the test ride, rejected the test ride, or demanded collateral. The research assistants also coded the message as 1 if it contained any negative information about the bicycle and as 0 if it did not. The two research assistants had a high agreement rate: They agreed with respect to test rides on 92.3% of the messages and with respect to negative disclosures on 95.0% of the messages. A third research assistant then read and coded the messages on which the two research assistants disagreed. We used majority rule in presenting our final results. The instructions we provided to the research assistants, as well as examples of the coding, can be found in Part A in the Supplemental Material available online.

### *Results*

Not surprisingly, high first offers generated more replies (79.4%) than did low first offers (62.1%), $\chi^2(1, N = 513) = 18.48$, 95% confidence interval (CI) for the odds ratio (*OR*) = [1.58, 3.48], $p < .001$, Cramér's $V = .190$. In their responses to the buyer, 43.3% of sellers overall included a counteroffer; 45.6% of sellers who received high offers and 40.3% of sellers who received low offers responded with a counteroffer, $\chi^2(1) = 1.04$, $p = .309$.[1]

Importantly, among the sellers who responded, 46.1% of those who received high first offers agreed to a test ride with no collateral, whereas only 32.1% of sellers who received low first offers agreed to this condition, $\chi^2(1, N = 363) = 7.30$, 95% CI for the *OR* = [1.18, 2.79], $p = .007$, Cramér's $V = .142$. Our results held when we considered the entire population of sellers contacted: 36.6% of sellers who received high first offers agreed to a test ride, compared with only 19.9% of sellers who received low first offers, $\chi^2(1, N = 513) = 17.54$, 95% CI for the *OR* = [1.56, 3.45], $p < .001$, Cramér's $V = .184$.

Interestingly, we also found that 16.7% of the sellers who received high first offers disclosed negative information about the bike in their responses, whereas only 6.9% of the responses from sellers who received low first offers did so, $\chi^2(1, N = 363) = 7.82$, 95% CI for the *OR* = [1.32, 5.50], $p = .005$, Cramér's $V = .147$. Again, our effect held when we looked at the original sample size: 13.2% of sellers who received high offers disclosed negative information, compared with only 4.3% of sellers who received low offers, $\chi^2(1, N = 513) = 12.79$, 95% CI for the *OR* = [1.68, 6.86], $p < .001$, Cramér's $V = .151$. Thus, receiving a more desirable first offer led sellers to disclose more undesirable information about their bike, such as information about dents, scratches, and flat tires. The more favorable a deal was, the more willing participants seemed to be to disclose information that could potentially jeopardize that deal.

In Study 1, we tested the behavioral impact of first offers on economically vulnerable behaviors in a naturalistic negotiation context. Sellers who received more-generous first offers were more willing to allow buyers to test-ride their bike and were more likely to disclose negative information than were sellers who received less-generous offers.

## Study 2

### *Method*

In Study 2, we conducted a conceptual replication of our effect in a controlled experiment to test whether the behavioral effects witnessed in Study 1 were caused by differential perceptions of the offer-maker's trustworthiness.

***Participants.*** We recruited participants on Amazon's Mechanical Turk ($N = 402$; age: $M = 36.02$ years, $SD = 10.60$ years; 57% male) for a study exploring how people negotiate. Participants were paid $0.40.

***Design and procedure.*** We instructed all participants to imagine they were trying to sell their used bike on Craigslist.com. We showed participants a Craigslist.com posting for a bike listed at $1,250 (see Part B in the Supplemental Material) and told them that the bike's bottom bracket had an undetectable hairline fracture. We further told participants that "while the fracture is not a fatal flaw, it may require repair down the road and would be something buyers would definitely want to know about before making the purchase."

On the next screen, we told participants to imagine they had just received a response from a potential buyer within 2 days of posting their ad. Using the same benchmarks for low and high first-offers as in Study 1, we reminded participants of the bike's $1,250 list price and randomly assigned each of them to receive a message offering $740 (59%) or $990 (79%) for the bike. The buyer's message was the same as the one used in Study 1.

Next, we asked participants to report their perceptions of the buyer's trustworthiness as well as their willingness to carry out a variety of economically vulnerable behaviors during the course of the transaction. To measure trust, we asked participants to rate the question "How much do you trust this buyer?" using a 5-point scale labeled *not at all*, *a little*, *a moderate amount*, *a lot*, and *a great deal*.

We also asked participants to rate the question "How likely is it that you would disclose the hairline fracture to this buyer?" using a 5-point scale labeled *not at all likely*, *a little likely*, *moderately likely*, *very likely*, and *extremely likely*. We also told participants to imagine

meeting this buyer and asked them to rate "How comfortable would you be letting this buyer take your bike on a test drive before he/she purchased it?" using a 5-point scale labeled *not at all comfortable*, *a little comfortable*, *moderately comfortable*, *very comfortable*, and *extremely comfortable*.

Additionally, we asked participants to rate the following three questions about other context-appropriate economically vulnerable behaviors using a 5-point scale labeled *not at all willing*, *a little willing*, *moderately willing*, *very willing*, and *extremely willing*: (a) "How willing would you be to accept a check as payment from this buyer, as compared to cash?" (b) "How willing would you be to accept cash payment in two installments [80% up front and 20% by the end of the week] from this buyer?" and (c) "Imagine this buyer asks for a 24-hour grace period after purchasing the bike from you where the buyer can return it to you for any reason for a full return. How willing would you be to offer this grace period to this buyer?" We presented all six questions in a randomized order and then collected demographic information.

### *Results*

As hypothesized, the buyer's first-offer price affected participants' perceptions of the buyer's trustworthiness. Specifically, participants who received high offers ($990) reported trusting the buyer more ($M$ = 2.42 of 5, $SD$ = 1.16) than did participants who received low offers ($740; $M$ = 1.99, $SD$ = 0.99), $t(390.36) = -4.02$, 95% CI for the mean difference = [−0.64, −0.22], $p < .001$, $d = 0.399$.

Participants reported a greater willingness to engage in economically vulnerable behaviors toward more-generous buyers. Replicating Study 1, results showed that participants who received high offers indicated a greater willingness to allow the buyer to take the bike on a test ride without collateral ($M$ = 2.43, $SD$ = 1.22) than did participants who received low offers ($M$ = 2.13, $SD$ = 1.19), $t(400) = -2.49$, 95% CI for the mean difference = [−0.54, −0.06], $p = .013$, $d = 0.249$. Again, as in our field study, participants who received high offers reported being more likely to disclose the hairline fracture ($M$ = 3.48, $SD$ = 1.33) than participants who received low offers ($M$ = 3.11, $SD$ = 1.44), $t(400) = -2.67$, 95% CI for the mean difference = [−0.64, −0.10], $p = .008$, $d = 0.267$.

The same pattern emerged for vulnerable behaviors involving payments and returns. Specifically, participants who received high offers were more willing to accept a check instead of cash ($M$ = 1.91, $SD$ = 1.28) than participants who received low offers ($M$ = 1.62, $SD$ = 1.14), $t(395.15) = -2.39$, 95% CI for the mean difference = [−0.53, −0.05], $p = .017$, $d = 0.239$. Participants who received high offers were more willing to accept a two-installment payment ($M$ = 1.86, $SD$ = 1.25) than participants who received low offers ($M$ = 1.54, $SD$ = 1.02), $t(384.58) = -2.84$, 95% CI for the mean difference = [−0.55, −0.10], $p = .005$, $d = 0.281$. Participants who received high offers were more willing to extend a 24-hr grace period ($M$ = 2.13, $SD$ = 1.35) than participants who received low offers ($M$ = 1.79, $SD$ = 1.15), $t(390.29) = -2.78$, 95% CI = [−0.60, −0.10], $p = .006$, $d = 0.271$.

A path analysis revealed that perceived trustworthiness mediated these behavioral intentions. For this analysis, we created a composite measure of economically vulnerable behavior that was an average of the five items. High first offers led to perceptions of the buyer as trustworthy, which led participants to report being willing to engage in economically vulnerable behaviors. When we included trust in the model predicting the seller's willingness to behave vulnerably, the effect of the offer amount was reduced (from $\beta = 0.43$, $p < .005$, to $\beta = 0.05$, $p = .389$), and perceived trustworthiness predicted the seller's willingness to engage in vulnerable behaviors ($\beta = 0.63$, $p < .001$; Baron & Kenny, 1986). A 10,000-sample bootstrap analysis revealed that the 95% bias-corrected CI for the size of the indirect effect excluded zero, [0.14, 0.42], suggesting an indirect effect size of 0.27 (Preacher & Hayes, 2004).

Study 2 provided additional evidence for differences in willingness to behave vulnerably on the basis of the first-offer amount. As in our field study, participants were more willing to offer a test ride and disclose negative information to buyers who gave more-generous first offers; perceived trustworthiness mediated these intentions.

## Study 3a

### *Method*

In Study 3, we tested the boundaries of our effect to see whether negotiators continued to hold different trustworthiness perceptions of counterparts based on first offers, even when they were told that the first offers were randomly assigned by the experimenter. In Study 3a, we tested the robustness of our effect to a direct debiasing attempt. In Study 3b, we tested whether the effect would be abolished when participants were made to explicitly acknowledge the randomization of first offers.

***Participants.*** We recruited participants on Amazon's Mechanical Turk ($N$ = 413; age: $M$ = 34.56 years, $SD$ = 10.83 years; 56.5% male) for a study exploring how people negotiate. Participants were paid $0.40 and were told they had the opportunity to earn a bonus of $0.25.

***Design and procedure.*** We instructed all participants that they would be paired with another participant and engage in a negotiation. Their task was to sell two movie theater tickets to their partner, the buyer. We told participants that they would earn a $0.25 bonus if they sold the pair of tickets for $12 or more. We then told all participants that although the tickets had no expiration date and could be used for IMAX shows with no additional surcharge, they could not be used on Saturdays or Sundays. We told participants that all the buyers who had been recruited were active moviegoers interested in purchasing discounted tickets. Crucially, we informed participants that the buyers had been randomly assigned to start the negotiation with a specific first-offer amount. We then randomly assigned each participant to read a message from a buyer that contained a low or high first offer ($7 or $10, respectively). The message also asked whether there was anything the buyer should know about the tickets. Except for the first-offer amount, the messages were identical (see Part C in the Supplemental Material).

We asked all participants, "How likely is it that you would disclose the fact that you can't use the tickets on the weekend to this buyer?" They responded on a 5-point scale labeled *not at all likely, slightly likely, moderately likely, quite likely*, and *very likely*. We also asked participants to report their perceptions of the buyer's trustworthiness using the same scale as in Study 2. The order of the two questions was counterbalanced. Before the presentation of both questions, we reiterated to participants that the first-offer amount had been randomly assigned by the experimenter.

After we collected these responses, we informed all participants that their partner, the buyer, had dropped out of the study early; as a result, there would be no negotiation, but they would still receive a bonus payment. We later debriefed all participants about the study design and the fact that there was no participant playing the role of buyer. Finally, we collected demographic information and paid participants, including the bonus payment.

### *Results*

Here, we replicated the results of our prior studies under incentivized conditions. Despite being told that the first-offer amount had been randomly assigned by the experimenter, participants perceived the offer-maker differently depending on the first-offer amount and exhibited different levels of economic vulnerability. Specifically, participants perceived buyers who made high first offers to be more trustworthy ($M$ = 3.10 of 5, $SD$ = 1.04) than buyers who made low first offers ($M$ = 2.75, $SD$ = 1.03), $t(403) = -3.40$, 95% CI for the mean difference = [−0.55, −0.15], $p = .001$, $d = 0.338$. Participants who received high first offers also reported a greater likelihood of disclosing negative information about the movie tickets (that they could not be used on the weekend; $M$ = 3.22 of 5, $SD$ = 1.34), compared with participants who received low first offers ($M$ = 2.90, $SD$ = 1.36), $t(403) = -2.36$, 95% CI for the mean difference = [−0.58, −0.05], $p = .019$, $d = 0.237$.

A path analysis revealed that participants' perception of buyers' trustworthiness mediated the likelihood of disclosure. High first offers led participants to perceive the buyer as more trustworthy, which led them to be more willing to disclose negative information. When we included trust in the model predicting the participant's willingness to disclose the fact the tickets could not be used on the weekend, the effect of the offer amount was reduced (from $\beta = 0.32$, $p = .019$, to $\beta = 0.16$, $p = .201$), and perceived trustworthiness predicted the participant's willingness to disclose negative information ($\beta = 0.44$, $p < .001$; Baron & Kenny, 1986). A 10,000-sample bootstrap analysis revealed that the 95% bias-corrected CI for the size of the indirect effect excluded zero, [0.06, 0.27], suggesting an indirect effect size of 0.15 (Preacher & Hayes, 2004).

Study 3a demonstrated the robustness of our effect. Participants viewed generous first-offer-makers as more trustworthy and were more willing to engage in economically vulnerable behaviors toward them, even when told that the first offer was experimentally induced. Yet it is possible that our participants failed to attend or give sufficient weight to this information. We tested this hypothesis in Study 3b.

## Study 3b

### *Method*

***Participants.*** We recruited participants on Amazon's Mechanical Turk ($N$ = 2,014; age: $M$ = 37.76 years, $SD$ = 12.07 years; 46.4% male) for a study exploring how people negotiate. Participants were paid $0.40 and were told they had the opportunity to earn a bonus of $0.25.

***Design and procedure.*** We gave participants the same instructions as in Study 3a; half of the participants received low offers, and the other half received high offers. Although we used a fairly light debiasing approach in Study 3a, here we introduced a strong debiasing manipulation designed so that participants had to explicitly acknowledge that first-offer amounts were randomly assigned. In the control, or *no-debiasing* condition, participants received low or high offers with no additional information on how those offers were produced. Thus, the study had a 2 × 2 design. We used the same two dependent variables as in Study 3a.

In the *strong-debiasing* conditions, we made the same debiasing attempts as in Study 3a (in which participants were told in both the instructions and the buyer's message that the first offers were randomly assigned) and

also added a mandatory comprehension check so that participants had to explicitly acknowledge the relevant information. Specifically, the question read, "In order to check whether you read the instructions and buyer's message carefully, we have one question for you. Please choose which of the two statements below is TRUE." We presented participants with two options: "The buyer was instructed to offer [$7/$10]. In other words, the buyer had no choice in the first offer amount" or "The buyer chose to offer you [$7/$10]" (the amount shown depended on condition). Participants had to answer the question correctly in order to proceed in the study. We reiterated the randomization one final time before presenting the dependent variables. After each question, participants read, "Remember that the buyer had no choice in the amount they offered to you." Thus, participants in the strong-debiasing condition were told five times in the study, including in a mandatory comprehension check, that the first-offer amount had been randomly assigned by the experimenter.

### *Results*

In line with our predictions, results showed that the effect of first offers on trustworthiness perceptions was moderated by whether the participant believed that the first-offer amount had been determined by the buyer or randomly assigned by the experimenter, $F(1, 2010) = 9.82$, $p = .002$, $\eta_p^2 = .005$. Specifically, when no additional detail was provided about the source of the first offer, which left participants to assume that the buyers had determined their own first-offer amount, participants perceived high-offer buyers as more trustworthy ($M = 2.83$, $SD = 0.97$) than low-offer buyers ($M = 2.50$, $SD = 0.93$), $F(1, 2010) = 29.98$, 95% CI for the mean difference = [0.22, 0.46], $p < .001$, $\eta_p^2 = .015$. However, there was no statistically significant difference in trustworthiness perceptions in the strong-debiasing conditions, in which participants were made to explicitly acknowledge that first-offer amounts were not chosen by the buyer and instead were randomly assigned by the experimenter (high-offer buyers: $M = 3.04$, $SD = 0.98$; low-offer buyers: $M = 2.97$, $SD = 0.99$), $F(1, 2010) = 1.14$, $p = .285$.

Furthermore, when participants assumed that buyers had control over the first-offer amount, they were more likely to disclose negative information (i.e., about when the tickets could be used) to high-offer buyers ($M = 3.45$, $SD = 1.35$) than low-offer buyers ($M = 3.26$, $SD = 1.37$), $F(1, 2007) = 4.66$, 95% CI for the mean difference = [0.02, 0.36], $p = .031$, $\eta_p^2 = .002$. There was no statistically significant difference, however, in the reported likelihood of making the negative disclosure when participants were made to explicitly acknowledge that first offers had been randomly assigned (high-offer buyers; $M = 3.41$, $SD = 1.33$; low-offer buyers: $M = 3.31$, $SD = 1.38$), $F(1, 2007) = 1.52$, $p = .218$. The interaction of offer amount and debiasing condition did not reach statistical significance, $F(1, 2007) = 0.44$, $p = .505$.

Study 3b shows that when individuals are made to explicitly acknowledge that negotiating partners have no control over their first-offer amounts, differences in trustworthiness perceptions and the likelihood of following up on those perceptions with economically vulnerable behaviors vanish. These results support our theory that the effect relies on the fundamental attribution error (Ross, 1977): Unless compelled to do otherwise, participants use limited information to make dispositional attributions about their partners.

## Study 4

### *Method*

In Studies 1 through 3, we found that negotiators respond to more-desirable first offers by engaging in economically vulnerable behaviors. In this final study, we explored whether people are able to predict this effect.

***Participants.*** We recruited participants on Amazon's Mechanical Turk ($N = 400$; age: $M = 35$ years, $SD = 11.15$ years; 49% male) to take part in a study exploring how people negotiate. Participants were paid $0.35. We restricted our sample to participants with experience interacting on Craigslist.com in order to elicit responses that would resemble how individuals would actually behave in this marketplace.

***Design and procedure.*** We randomly assigned each participant to the role of a buyer or a seller. Buyers read the following message:

> Imagine you were trying to buy something on Craigslist and had responded to an ad. Also imagine that the item you were trying to buy had a flaw that only the seller knew about. It's not a detectable flaw, so you wouldn't know about the flaw by inspecting the item. The seller doesn't consider it a fatal flaw, since it may or may not be an issue, and the seller is not legally obligated to disclose the flaw. As the buyer, however, you would want to know about the flaw, since it may require repair down the road and may affect either your desire to buy the item or your perceptions of how much it should cost.

We further randomly assigned each participant in the role of the buyer to imagine having sent a message to the seller with a first-offer price that was either close to or far from the asking price. We then asked all buyers to reply to the statement, "The seller's likelihood of

disclosing the flaw to me is . . .” using a sliding scale from 0 to 100, where 0 represented *no likelihood of disclosure* and 100 represented *100% likelihood of disclosure*. Then we asked all buyers to answer two statements in a counterbalanced order: “If the seller discloses the flaw to me, my chance of getting a good deal is . . .” and “If the seller does not disclose the flaw to me, my chance of getting a good deal is . . .” Participants answered these two questions using a sliding scale from 0 to 100, where 0 represented *no chance of getting a good deal* and 100 represented *complete certainty of getting a good deal*.

We gave participants in the seller role the same set of instructions but written from the seller’s perspective:

> Imagine you were trying to sell something on Craigslist and had posted an ad. Also imagine that the item you were trying to sell had a flaw. It’s not a detectable flaw, so the buyer wouldn’t know about the flaw by inspecting the item. You don’t consider it a fatal flaw, since it may or may not be an issue, and you’re not legally obligated to disclose the flaw. A buyer, however, would want to know about the flaw, since it may require repair down the road and may affect either their desire to buy the item or their perceptions of how much it should cost.

We also further randomly assigned each participant in the role of the seller to imagine having received a message from a buyer with a first-offer price that was either close to or far from the asking price. We then asked all sellers to answer the statement, “My likelihood of disclosing the flaw to this buyer is . . .” using the same scale described above. We also asked sellers to answer two statements in a counterbalanced order: “If I disclose the flaw to this buyer, my chance of getting a good deal is . . .” and “If I do not disclose the flaw to this buyer, my chance of getting a good deal is . . .” using the same scale described above.

In this way, we provided identical information about the negotiation context to all participants and asked the same questions of them; we manipulated only whether they were taking the perspective of the buyer or seller in a negotiation with a low or high first offer. After participants completed all measures, we collected demographic information.

### *Results*

We found that participants in the role of the buyer were unable to predict the main effect we observed in Studies 1 through 3—namely, that offer-makers giving more-generous first offers are more likely to elicit disclosures from sellers. Specifically, we found no statistically significant difference in buyers’ predictions about sellers’ likelihood of disclosing an undetectable flaw when the first offer was low (22.1%) or high (25.1%), $t(198) = -1.01$, $p = .314$.

Not surprisingly, buyers recognized that sellers’ disclosure of negative information would increase their own bargaining power. We found that buyers predicted that if the sellers disclosed the flaw to them, they would be more likely to get a good deal (58.8% likelihood of getting a good deal) than if the seller had withheld that information (32.8% likelihood of getting a good deal), regardless of the first-offer amount, $F(1, 198) = 141.26$, 95% CI for the mean difference = [21.64, 30.26], $p < .001$, $\eta_p^2 = .416$.

We found similar results from the seller’s perspective. Although sellers imagined their rates of disclosure to be markedly higher than predicted by buyers, there was no statistically significant difference in their predicted likelihood of disclosure to buyers with low (62.1%) or high (65.7%) first offers, $t(198) = -0.77$, $p = .443$. Like buyers, sellers believed that disclosing negative information would weaken their bargaining power, particularly for deals in which first offers were high. Sellers predicted that if they disclosed the flaw to the buyer, they would be less likely to get a good deal (40.5% likelihood of getting a good deal) than if they had withheld that information (65.5% likelihood of getting a good deal), for both low and high first-offer amounts, $F(1, 198) = 159.44$, 95% CI for the mean difference = [−28.85, −21.05], $p < .001$, $\eta_p^2 = .446$. This difference was greater for high first offers, for which sellers predicted that disclosure would lead to a 31.8% reduction in their bargaining power, $F(1, 198) = 129.50$, 95% CI for the mean difference = [26.29, 37.31], $p < .001$, $\eta_p^2 = .395$, than for low first offers, for which sellers predicted that disclosure would lead to an 18.1% reduction in their bargaining power, $F(1, 198) = 41.95$, 95% CI for the mean difference = [12.59, 23.61], $p < .001$, $\eta_p^2 = .175$.

Participants did not predict the effects in our earlier studies, either when taking the buyer’s or the seller’s perspective. Even though both parties recognized that disclosing negative information decreases bargaining power, they did not expect a more-generous first offer to induce this behavior.

## General Discussion

In four studies, we demonstrated that first offers closer to a recipient’s target are more likely to elicit economically vulnerable behaviors than more-aggressive first offers. In Study 1, conducted in an online marketplace, we found that sellers who received more-generous first offers were more likely to disclose negative information about a bicycle for sale and offer a test ride without collateral than sellers who received less-generous first

offers. In Study 2, we found that perceptions of the offer-maker's trustworthiness mediated the relation between the first-offer price and participants' willingness to engage in economically vulnerable behaviors. In Study 3a, we found that this effect persisted in the face of debiasing attempts (i.e., when recipients were told that first-offer amounts had been randomly assigned). In Study 3b, we found that the effect vanished only when recipients were made to explicitly acknowledge that the offer-maker had no control over the first-offer amount. Finally, in Study 4, we found that negotiators did not predict these effects.

## *Theoretical and practical implications*

Our findings yield implications for both negotiation scholarship and practice. We contribute to the body of work focusing on the importance of first offers by documenting a novel relationship between first-offer value and trust perceptions. While the anchoring potency of first-offer values has long been established (Benton et al., 1972), we found here that first offers carry additional interpersonal and behavioral consequences.

Prior literature demonstrates that trustworthiness leads to information disclosure. We trust other people who display benevolence, ability, and integrity (Butler, 1991), and this trust in others makes us willing to be vulnerable to exploitation (Rousseau et al., 1998). In our studies, however, trust was offered when there was little evidence of trustworthiness. Participants trusted the makers of more-generous offers, even when they were told that offer values were experimentally assigned. These findings raise important questions regarding the relative effectiveness of authentic and inauthentic impression-management strategies in negotiations.

Other scholars (e.g., Minson, VanEpps, Yip, & Schweitzer, 2018) have studied strategies for eliciting unfavorable information in negotiations. We found that first-offer values could elicit such disclosures through increased trust—an unpredicted effect that offers negotiators a novel and subtle strategy for gaining potentially valuable information.

Furthermore, we found that negotiators are unable to predict these effects. This discrepancy between lay prediction and behavior could be due to individuals' failure to successfully imagine, prior to a negotiation (while in a cold state), how they would react in the midst of a negotiation (while in a hot state; Loewenstein, 1996, 2005; Loewenstein, O'Donoghue, & Rabin, 2003). Alternatively, it is possible that negotiators who disclose negative information to more-generous offer-makers do not actually believe they are putting themselves at a disadvantage. Negotiators may naively believe that because interpersonal trust has been established, the generous offer-maker is less likely to use the negative information against them, a belief that would be consistent with findings of other research on interpersonal trust building in dyadic relationships (Pillutla, Malhotra, & Murnighan, 2003; Weber, Malhotra, & Murnighan, 2004),

It may also be that negotiators are willing to disclose negative information to more-generous offer-makers while fully realizing that such a disclosure may reduce their leverage. If negotiators are pleasantly surprised by the first offer, they may disclose negative information in the comforting belief that there is some economic buffer to protect them even if the information is used against them.

## *Conclusion*

We report a surprising path by which first offers affect downstream negotiation dynamics. Our results suggest that offer-makers should think twice about the traditional wisdom of opening a negotiation by anchoring aggressively. This decision should include consideration of the importance and the benefits of earning the counterpart's trust. Our data also suggest that offer recipients should be more cognizant of the source of their trustworthiness judgments, and they should be aware of the extent to which their willingness to engage in economically vulnerable behaviors may be unfounded and could reduce their leverage.

### Transparency

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*Author Contributions*

All authors contributed to the study designs. M. Jeong collected and analyzed the data. M. Jeong drafted the manuscript, and J. A. Minson and F. Gino provided critical revisions. All authors approved the final version of the manuscript for submission.

*Declaration of Conflicting Interests*

The author(s) declared that there were no conflicts of interest with respect to the authorship or the publication of this article.

*Open Practices*

All data for Studies 1 through 4 and materials for Studies 2 through 4 have been made publicly available via the Open Science Framework and can be accessed at https://osf.io/uzncm/. The design and analysis plans for Studies 2, 3a, and 3b were preregistered at https://osf.io/uzncm/. The complete Open Practices Disclosure for this article can be found at http://journals.sagepub.com/doi/suppl/10.1177/0956797620916705. This article has received the badges for Open Data, Open Materials, and Preregistration. More information about the Open Practices badges can be found at http://www.psychologicalscience.org/publications/badges.

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## Supplemental Material

Additional supporting information can be found at http://journals.sagepub.com/doi/suppl/10.1177/0956797620916705

## Note

1. Sellers who received low offers counteroffered with 82.41% of the list price, whereas sellers who received high offers counteroffered with 88.27% of the list price, $t(89.02) = -4.64$, $p < .001$.

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