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Toward a Process Model of First Offers and Anchoring in Negotiations

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Abstract

There is a wide consensus that first offers have a significant impact on negotiation outcomes by causing an anchoring effect. Many aspects of first offers have been analyzed, including factors that lead to making the first offer and characteristics that strengthen the impact of first offers. However, a holistic view of the process of first offers in negotiations remains missing, and significant research gaps must be filled to fully understand the mechanisms of first offers. Furthermore, while extant research contains anecdotal advice for negotiators, no holistic overview of research findings has been presented to date. This study conducted a structured review of 119 journal articles published since 1967, contributing to the field in four main ways: (a) proposing a definition of first offers, (b) integrating previous findings into a process model of first offers in negotiation, (c) summarizing the results to date in a structured literature review, and (d) identifying crucial research gaps that must be addressed. Future research should conduct systematic investigations of the influence of first offers on negotiation outcomes, employing a "negotiation lens" to emphasize the dyadic and interactive character of negotiations.

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Negotiations are an omnipresent phenomenon in private and professional contexts for many people. A plethora of influencing factors determine negotiation dynamics, leading to many myths and anecdotal evidence from practice. However, one factor has a strong and consistent impact on negotiation success: *the first offer*.

First offers significantly influence negotiation outcomes, as demonstrated in several studies (Galinsky & Mussweiler, 2001; Kristensen & Gärling, 2000a; Ochs & Roth, 1989). A meta-study by Orr and Guthrie (2005) reported a correlation of .497 between initial offers and final negotiation outcomes. Therefore, making the first offer appears to be an important success factor for negotiations.

Several issues have been investigated, uncovering insights on driving forces behind first offers (Buelens & Van Poucke, 2004; Magee et al., 2007), effects of different offer types (Maaravi, Ganzach, et al., 2011; Whyte & Sebenius, 1997), effects first offers have on the subsequent negotiation process (Campbell et al., 2015; Ritov, 1996), and variables moderating the effect of first offers (Kray & Gelfand, 2009; Ma, 2007). In addition, subjective negotiation outcomes have been investigated (Maaravi et al., 2014).

Furthermore, practitioners have offered a significant amount of advice on ideal strategies for first offers, with some authors suggesting making the first offer (Gunia, 2017b) and others advising against it under certain conditions (Voss & Raz, 2016). However, no academic publication has integrated the current status of this field from the perspectives of negotiation, management, and psychology.

The diversity of findings, approaches, and advice makes research on first offers sufficiently mature and broad to warrant an integrative review article. Indeed, such a review would be useful for relating various contributions and acquiring a holistic understanding of the different aspects of first offers in negotiations. Based on extant literature, this study proposes a holistic process model that includes the antecedents of first offers, describes their types and characteristics, and explains how first offers influence the negotiation process and outcomes. In addition, this study argues that moderators and boundary conditions influence this process. This study makes four main contributions: (a) proposing a definition of first offers, which has not been provided to date; (b) integrating previous findings in a process model of the first offers in negotiations; (c) summarizing research findings in a structured literature review and matching them with the respective elements in the present model; and (d) establishing crucial research gaps that remain to be addressed. This study argues for a systematic investigation of the influence of first offers on negotiation outcomes, emphasizing the dyadic and interactive nature of negotiations. This study investigated 119 articles published since 1967, which represents the first publication on this topic (Chertkoff & Conley, 1967). This review is geared towards the research community, practitioners, and negotiation instructors and offers a holistic analysis of one of the most important topics in negotiations.

Defining and Delineating First Offers and Anchoring

Although *first offers* are frequently discussed in negotiation literature, the term is imprecise and unclear. In transactional negotiations, buyers usually make *offers* for objects offered by sellers. If the initial proposal comes from the seller, it is an ask, request, or demand. However, *first offer* in negotiation literature refers to the initial proposal, regardless of the party that makes it. Therefore, to reflect this meaning, a more precise definition would be *first proposal*, which remains independent of the party that makes it. However, for simplicity and consistency, this study adopted the widely recognized and used term, *first offer*, despite its imprecision.

First offers are intuitively accepted as the first numeric value in the negotiation. For instance, an early study on this topic instructed students to negotiate the price of a car and manipulated the amount of first offers (Chertkoff & Conley, 1967). The authors used extreme and moderate initial offers and found that extreme first offers led to lower final agreements by the subjects. In the highly cited study by Galinsky and

Mussweiler (2001), the authors explored perspective-taking and negotiator focus and investigated differences in negotiation outcomes depending on first offers. In a simulated negotiation between a buyer and seller of a chemical plant (Study 3), Galinsky and Mussweiler (2001) reported a correlation of .85 between the first offer and final agreement price. However, none of the reviewed studies defined first offers. Therefore, to increase conceptual precision in this scientific debate, this study began by considering the definition of first offers.

Due to the theoretical and practical importance, and because the intuitive definition of the "first numeric value in a negotiation" may be incomplete, this study suggests two important distinctions for the definition of first offers. First, the first offer in a negotiation must be a proposal to settle the negotiation; otherwise, an arbitrary number could qualify as the first offer, which would likely not influence the negotiation. Second, a settlement proposal could be qualitative as well as quantitative. For instance, a peace deal might include an item specifying that both parties respect the border. Thus, this study defined first offers in negotiations as ***the first settlement proposal put forward by either negotiating party.***

This definition clarifies that a first offer can be a numeric value, as in most of the reviewed studies, or a qualitative item. As discussed below, this distinction has been mostly disregarded in the field thus far. This gap could be significant, as research has shown that semantic anchors are stronger than purely numeric anchors (Mussweiler & Strack, 2001). On the other hand, a numeric anchor is easier to measure, which may be one cause of the focus on numeric anchors in previous research.

First Offers Versus Anchoring

First offers and anchors are sometimes used synonymously in negotiation contexts. However, they are structurally different in nature. Therefore, this study delineated these two constructs. First offers are proposals, such as plans or suggestions, in negotiations (and only in negotiations), whereas the *anchoring effect* is a cognitive bias, that is, a systematic distortion that relates to human judgement. First offers can, but do not necessarily have to, create an anchoring effect; in addition, negotiations can be shaped by other anchors, such as aspirations. Therefore, the anchoring effect is a mechanism that explains the possible consequences of first offers.

Tversky and Kahneman (1974) define the anchoring effect as an insufficient adjustment from an initially obtained value (anchor). In their seminal work, Tversky and Kahneman provided an example of estimating the percentage of African countries in the United Nations. Subjects were given arbitrary numbers (10 and 65) before they estimated the percentage. This had a significant effect on the resulting estimate, which was 25 versus 45 in the two groups. The anchoring effect was found to be robust across various decision-making processes (Furnham & Boo, 2011).

Later research argued for the selective accessibility perspective, in which information is recalled and interpreted selectively to fit the anchor (Chapman & Johnson, 1999; Mussweiler & Strack, 1999, 2001; Strack & Mussweiler, 1997). For instance, Strack and Mussweiler (1997) showed that anchors on a different scale (height of the Brandenburg gate) than the estimation question (width of the Brandenburg gate) had a weaker anchoring effect. The authors argued that it is not the mere value of the anchor but also its applicability to the problem. The selective accessibility model is currently the dominant view of anchoring mechanics (Furnham & Boo, 2011).

Early studies used the notion of "first offer" (Benton et al., 1972; Chertkoff & Conley, 1967; Liebert et al., 1968). However, after the concept of "anchoring" gained prominence, it became a common notion in negotiation literature for first offers, leading to some terminological confusion. Nevertheless, as demonstrated below, first offers have more influence than only the anchoring effect.

Identifying the Relevant Literature Body

This review focused on first offers and anchoring in negotiations. Studies investigating the anchoring effect in non-negotiation settings were excluded.

Literature Search Procedure

As an overly narrow focus of selected databases could lead to the exclusion of relevant results (Bramer et al., 2017), four databases were selected. The Web of Science Core Collection and Scopus were selected as the most universal databases for peer-reviewed research. PsycInfo was used, as it contains many studies on behavioral research and negotiation. Finally, Business Source Complete was added to include a business-specific database.

Keywords were selected based on a manual pre-review of the literature. The keywords were "negot* AND anchor*", "negot* AND 'first offer'", "bargain* AND anchor*", and "bargain* AND 'first offer'". Keywords containing "bargaining" were added because several relevant studies that were identified in the pre-review were published in the economic and bargaining literature. The database search was limited to peer-reviewed journal articles to ensure a high-quality standard for the included works. Furthermore, only English publications were included in the database search. As this is the first review in the field of first offers in negotiations, we did not restrict the timeframes of the query and used the total timeframe available until April 2021.

This study followed a six-step process to identify relevant articles. The database search (Step 1) yielded 1,129 results. After duplicate removal (Step 2), 586 results remained. After screening for relevant titles (Step 3), the remaining abstracts were screened and the relevant set was reduced to 145 studies (Step 4). These 145 studies were subjected to a full reading and evaluation of our search criteria (Step 5). This step led to the deletion of 46 additional studies, leaving 99 studies. Finally, we added another 20 studies, identified via Google Scholar search, to extend the existing set. This procedure yielded 119 studies. Table 1 presents a summary of the research strategy.

Table 1

Literature Research Strategy Including Steps and Search Criteria

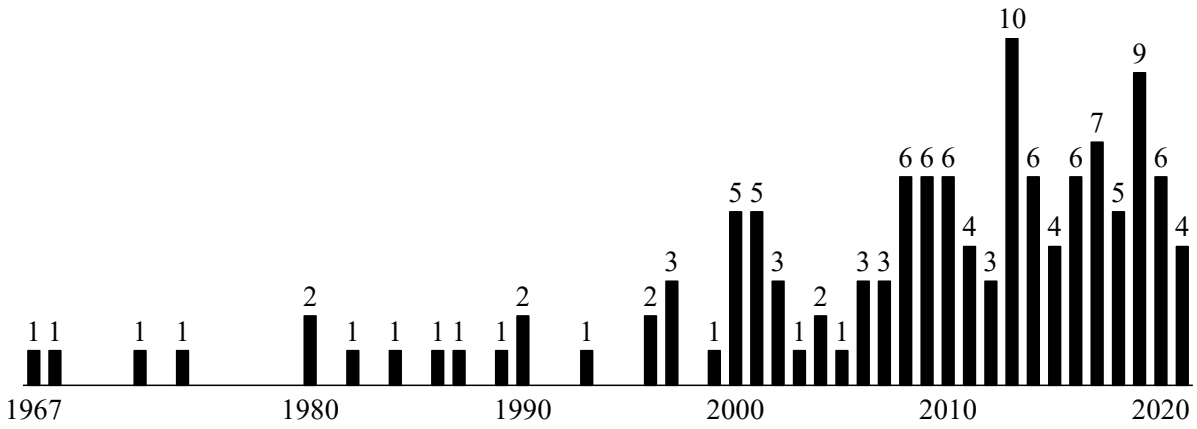
Step	Description	Web of Science	Scopus	Psyc Info	Business Source Complete	+/- in step	After Step
Step 1	Keyword search in database	348	458	150	173		1,129
Step 2	Duplicate removal					-543	586
Step 3	Title screening					-345	241
Step 4	Abstract reading					-96	145
Step 5	Full reading					-46	99
Step 6	Manual Google Scholar search					+20	119
	Final sample						**119**

Descriptive Results of the Literature Search

The first publication in the field of first offers is the work of Chertkoff and Conley (1967). The years prior to the early 2000s exhibited low activity in the area of first offers and anchoring, until the emergence of the selective accessibility model around 2000 (Chapman & Johnson, 1999; Mussweiler & Strack, 1999, 2001; Strack & Mussweiler, 1997). Since 2000, there has been stable activity at a level of approximately five studies per year. A detailed development is shown in Figure 1.

Figure 1

Number of Published Studies per Year



Journals that published these studies were also analyzed. The details are presented in Table 2. Most studies were published in broader behavioral and psychological journals rather than negotiation-specific journals, which was possibly related to the grounding of the anchoring effect in psychological research and could also hint towards a lack of consideration of specifics of negotiation in previous research.

Table 2

Reviewed Journal Overview

Journal	Number of articles
Organizational Behavior & Human Decision Processes	12
Journal of Personality & Social Psychology	12
Management Science	6
Journal of Experimental Social Psychology	5
Psychological Science	4
Group Decision and Negotiation	4
Personality and Social Psychology Bulletin	4
Social Cognition	4
International Journal of Conflict Management	4

Journal	Number of articles
Negotiation Journal	3
Journal of Behavioral Decision Making	3
Judgment and Decision Making	3
Journal of Economic Psychology	3
Theory and Decision	2
Economic Inquiry	2
Negotiation and Conflict Management Research	2
International Journal of Conflict Management (Emerald)	2
Journal of Applied Psychology	2
Business Horizons	2
Other journals (n = 40, 1 article each)	40
Total	**119**

The key findings from descriptive statistics were twofold. First, the increased activity in the last two decades demonstrated that the topic is gaining traction, likely due to the emergence of the selective accessibility theory. Second, studies on this topic tend to be concentrated in psychological journals, which could be due to the rootedness of the anchor effect in psychological research, as noted above. However, this could indicate that some negotiation-specific aspects are not receiving the necessary attention and that studies should continue to examine this phenomenon using a negotiation lens. The main difference is that negotiations are not individual decision-making processes but involve at least two parties that interact with and influence each other throughout the entire process, referred to as a dyadic decision-making process. Therefore, this study developed a negotiation-specific model of first offers.

Developing a Process Model of First Offers in Negotiations

A holistic process model for first offers in negotiations is of theoretical relevance, as it aggregates relevant studies and organizes them along the main elements of the negotiation process, including boundary conditions and moderating factors. The model maps research results to the elements of this process and outlines the relationships between them. In addition, the model helps identify white spots that are not yet sufficiently understood, provides advice for optimizing opening tactics in negotiations, and identifies influencing factors.

This model was derived based on the reviewed studies. First, studies were grouped into clusters and organized into a model using an iterative process. In addition, the model drew on Oesch and Galinsky (2003), who identified four issues in first offers: factors affecting who presents first offers, factors affecting the extremity of first offers, effects of first offers on final outcomes, and effects of first offers on evaluations of negotiated outcomes. However, the present model was extended using a sequential perspective and adding the negotiation process, moderators, and boundary conditions. In addition, this structured literature review identified several new factors.

The first element is *antecedents*, which are factors that precede first offers and influence their proposer and size. For instance, psychological entitlement increases the propensity of making first offers (Neville & Fisk, 2019). Exploring the antecedents of first offers help understand how first offers emerge and become initial determinants of negotiation outcomes.

The second element of the process model is *first offer types and characteristics*, which describe how first offers are made. First offers can be made in different ways. For instance, Jeong et al. (2019) found that first offers in a tough and firm language led to better counteroffers compared to warm and friendly first

offers. Special offer characteristics include standard first offers and more complex types of first offers. First offer characteristics shape the negotiation process and outcome, which is the main focus of research on negotiation.

The third element is the *negotiation process*. In negotiations, first offers may be quick but have the potency to influence the negotiation process, which could take much longer. Thus, understanding influencing factors and mitigation strategies is important for negotiation research. As noted above, negotiations are fundamentally different from single-decision problems due to their dyadic setup. The interaction in a dyadic setup creates this phase, as first offers are followed by reactions and, at times lengthy, processes. This step was not included by Oesch and Galinsky (2003). Furthermore, the elements have received the lowest attention in extant research, with eight studies out of 25 publications dealing with the influences on the negotiation itself. The negotiation process includes the effects of first offers on the course of negotiation. For example, the immediate reaction to the first offer, such as the counteroffer or ignoring the first offer. An example is a study of Fassina and Whyte (2014) that demonstrated that negotiators who used a strategic flinch after a first offer yielded better results than non-flinching negotiators. Furthermore, the negotiation process includes efforts to mitigate the impact of first offers.

These steps lead to the fourth element, *economic and subjective negotiation outcomes*. As noted above, the economic impact of first offers has a strong empirical backing and can be considered a consensus in the negotiation field. In addition, subjective and other outcomes, such as impasses and limitations of first offer effects, are highly relevant.

Moreover, several moderators and boundary conditions influence the effects of first offers, which were also not considered by Oesch and Galinsky (2003). Previous studies have demonstrated that boundary conditions have significant effects. Some boundary conditions, such as culture, have been investigated. For instance, Toosi et al. (2019) revealed that Asian American men used lower first offers than White American men. Negotiation type (Leusch et al., 2018) and participants' individual factors (Miles, 2010) influence how the described mechanism unfolds.

The present model addresses the direct relationship between process elements and outcomes. These direct relationships are represented by direct arrows in Figure 2.

Relating the Literature to the Process Model of First Offers in Negotiation

The literature review was structured based on the model illustrated in Figure 2. Specifically, the reviewed studies were assigned to model elements to gain a holistic overview of first offers during the negotiation process.

Shaping First Offers: Antecedents

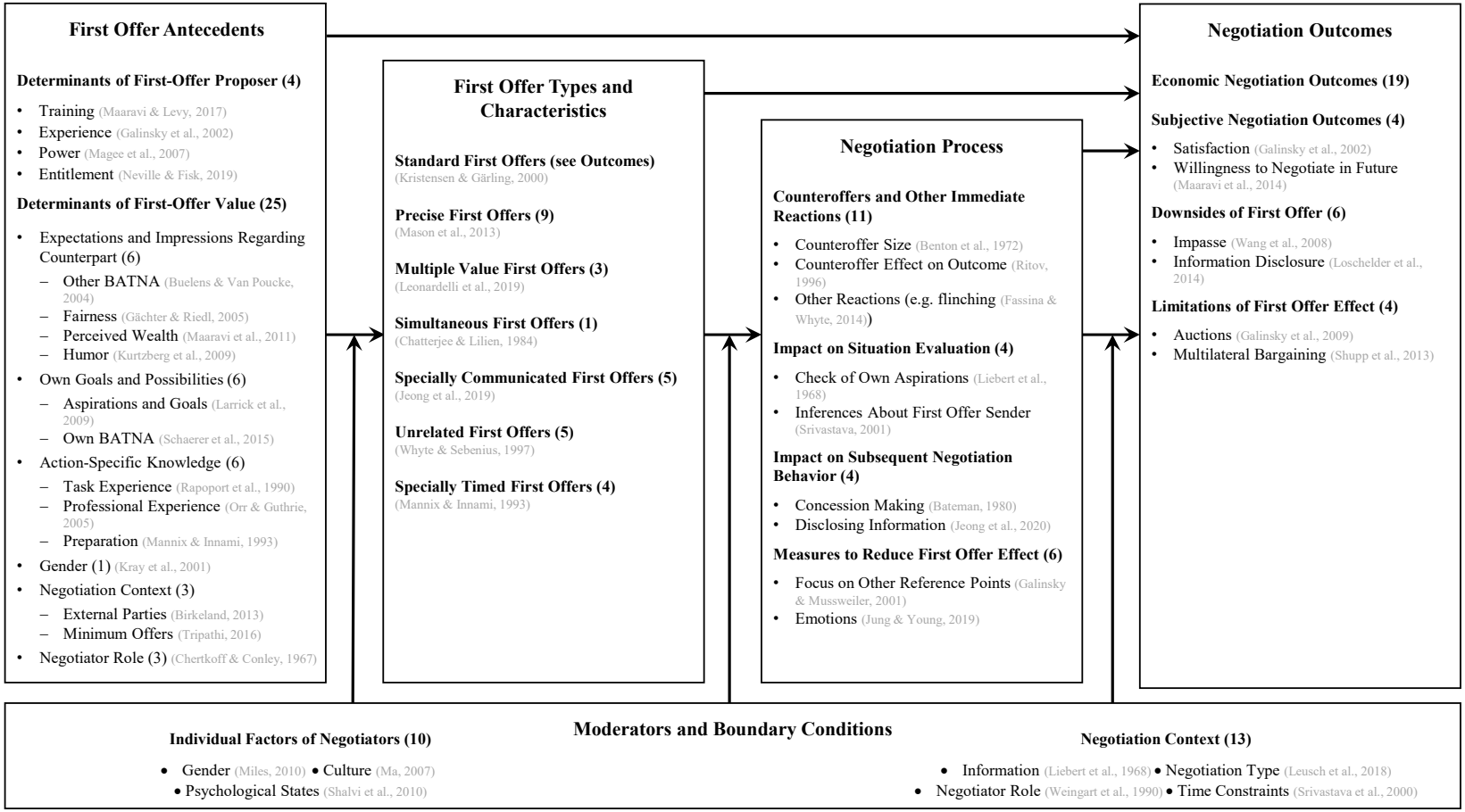
Given their importance, some researchers have investigated the factors that influence first offers. To date, research has focused on the determinants of who makes first offers and, to a larger extent, their value.

Determinants of First Offer Proposer

Despite the positive effects of first offers, negotiators generally tend to avoid them. Maaravi and Levy (2017) reported that 64% of non-trained students preferred not to make first offers. This reveals suboptimal behavior that seems to be based on knowledge deficits. Accordingly, Maaravi and Levy (2017) found that after training in decision-making and heuristics in the second year, 59% of the students showed a preference for making first offers. Similarly, Galinsky et al. (2002) found that past experiences can influence the propensity to make first offers.

Figure 2

Process Model of First Offers in Negotiations incl. Exemplary Studies



Note. Cited studies are examples and not exhaustive. Total number of studies per category is in parentheses (x).

Furthermore, power (Magee et al., 2007) and psychological entitlement (Neville and Fisk 2019) have been identified as drivers, with both pointing in the same direction. Entitled negotiators have been found to have higher aspirations and be more inclined to accept unethical negotiation tactics.

The relatively low number of studies is remarkable given the importance of first offers for negotiation outcomes.

Determinants of First Offer Value

First offers are somewhat comparable to a "battleship" game. With no knowledge of the opponent ship's location, a random shot must be performed. If one has additional reference points, such as the first hit on an opponent's ship, the shots can be more targeted. This is a difficult and complex process strongly influenced by impressions. Research on the determinants of first offer value is extensive and reflects the dyadic character of negotiations, as value is determined by expectations and impressions in relation to the counterparty, one's own goals and possibilities, action-specific knowledge, gender, the negotiation context, and the negotiator role.

Expectations and Impressions of Counterparties. First, the counterparty's best alternative to a negotiated agreement (BATNA) plays a central role in the size of first offers (Buelens & Van Poucke, 2004), as it shows what the other side would be willing to give as a maximum (see Fisher et al. (2011)). This importance was supported by Srivastava et al. (2000), who found that first offers increased with increased uncertainty about the other side. Buelens and Van Poucke (2004) observed that fairness played an important role in this context. This was supported by Gächter and Riedl (2005) who found that a moral property right or fairness criterion affected first offer value in bargaining settings. However, as noted above, the BATNA is often unknown, requiring the use of impressions. Prosperity of the counterparty is an important clue. Maaravi, Pazy, et al. (2011) found that buyers received higher first offers if their ability to pay was perceived to be high. The seller also attributed more alternatives to wealthy buyers. Maaravi and Hameiri (2019) investigated individual wealth cues, such as expensive cars and suits, in dyadic negotiations and identified that these wealth cues led to higher first offers and were disadvantageous.

Finally, perception of the counterparty's behavior can alter the value of first offers. Kurtzberg et al. (2009) found that first offers were more likely in the bargaining zone or less aggressive when an online negotiation was opened with a humorous statement, creating a generally less aggressive mood.

Own Goals and Possibilities. Surprisingly, there were few findings regarding the impact of one's own BATNA and aspirations, although one might intuitively surmise that people demand more when they want more or have better alternatives. Schaerer et al. (2018) established a connection between alternatives and first offers when examining imaginary alternatives. Larrick et al. (2009) demonstrated that formulating specific and challenging goals (as opposed to general intent to "do the best") led to riskier behavior and lower outcomes.

According to Schaerer et al. (2015), having no power (typically associated with a weak BATNA) can be even better than having low power. Low-power first offers were pulled toward respectively low BATNA, and first offers of negotiators with no power were higher. The authors claimed that "absolute powerlessness can be psychologically liberating" (Schaerer et al., 2015, p. 170). This was supported by Schaerer et al. (2016), who found that multiple lower alternatives were worse than one lower alternative, which they termed bargaining zone distortion.

These observations, as well as those of Larrick et al. (2009) regarding specific and challenging goals, indicate that first offers not only create an anchor effect but are influenced by it. This is supported by Ritov (1996), who demonstrated that simply reversing the profit schedule (smallest vs. largest number on top) changed first-offer magnitude and subsequently influenced negotiation outcomes. Furthermore, Brady et al.

(2021) revealed that higher lost alternatives anchor the negotiator to the lost value, leading to more aggressive aspirations and first offers.

Action-specific Knowledge. Research shows that not only one's own goals and preference structure but also actors' action-specific knowledge are relevant to the size of first offers. This is in line with Maaravi and Levy (2017), who revealed the general reluctance to make first offers and importance of training.

Rapoport et al. (1990) demonstrated that in repeated games, negotiators learn to make better offers in some conditions. However, as the study employed a repeated, standardized game, it is unclear whether this finding extends to first offers in general. The experience argument is supported by a meta-analysis that reported a lower correlation between first offers and outcomes if negotiators had relevant professional experience (Orr & Guthrie, 2005). Cotter and Henley Jr. (2008) found that first offers yielded an advantage only in the first ten consecutive negotiations, indicating that first offer recipients were not susceptible to first offers due to understanding or learning other reference points.

Available preparatory information is also relevant. Wilken et al. (2010) showed that sales managers made higher initial offers (in line with having higher reservation prices and target prices) if they had undifferentiated versus differentiated cost information about the product. The authors suggested that differentiated cost information made sales managers more likely to go to the limit (e.g., variable costs), which is not possible if the limit is not known. Mannix and Innami (1993) found that, if counterarguments were prepared, first offers decreased in the case of a delayed offer (when the negotiators started to exchange qualitative negotiation issues and made a settlement offer later). The effect without interaction of the timing variable was only marginally significant, suggesting that considering counterarguments may weaken negotiators' positions.

Finally, Krische and Mislin (2020) found that objective financial literacy, or financial knowledge, increased first-offer value, highlighting the importance of specialized expertise.

Gender. Personal characteristics may play a role in the size of first offers; however, only the role of gender has been explored. Kray et al. (2001) found that in negotiations primed as a diagnostic of the negotiator's ability, women made less extreme offers. In addition, women made lower first offers with implicit stereotype activation and had an advantage over men in explicit stereotype activation. This translated into negotiation performance, with explicit stereotype activation exhibiting a positive correlation between first offers and outcomes for women but not for men, and vice versa for implicit stereotype activation.

Negotiation Context. The influence of third parties on the first-offer value has been examined. Birkeland (2013) used an experiment in which it was possible to end the negotiation and use third-party arbitration versus a normal bargaining mode. In the third-party condition, negotiators made more conservative first offers and experienced fewer bargaining rounds. McCannon and Stevens (2013) supported the finding that an external party can moderate the offer value.

Furthermore, externally provided rules of negotiation can influence first offers. Tripathi (2016) found that a suggested minimum offer communicated to parties before offers may act as an anchor and decrease the average size of first offers instead of increasing them.

Negotiator's Role. The offer-making party's role impacts the size of first offers. In general, buyers seem to have a disadvantage; however, there is conflicting evidence. Sellers make more extreme offers and tend to achieve better outcomes (Chertkoff & Conley, 1967). This buyer disadvantage has been replicated in an experiment using a legal setting, in which the plaintiff (comparable to a seller) made significantly higher initial offers than the defendant (comparable to a buyer) (Mannix & Innami, 1993). Conversely, Chatterjee and Lilien (1984) manipulated who made first offers and found no difference between the seller's and buyer's first offers.

In summary, there is some understanding of what drives first offer value; however, the robustness compared to the first-offer effect is lacking. In particular, the roles of one's own reference points and gender,

as well as other personal characteristics, are not yet sufficiently understood. Furthermore, there were no studies that investigated the cultural impact on first offer proposers and size.

Determining the Effectiveness: First Offer Types and Characteristics

In addition to standard first offer, research identified multiple ways to make first offers, which increased the effect or caused additional effects. The first offers might also induce behaviors in counterparties. Elements were clustered with increased additional information content starting from a plain anchor, via multiple anchors, to anchors that were accompanied by additional messages or information.

Standard First Offers

As outlined above, early research focused primarily on the anchor effect that emanates from the first offer. In many experiments, a standard first offer with a neutral and normally rounded value was used and influenced negotiation outcomes (Bateman, 1980; Davis & Hyndman, 2019; Galinsky & Mussweiler, 2001; Kristensen & Gärling, 2000b; Ochs & Roth, 1989; Ritov, 1996).

However, subsequent research has uncovered that first offers might convey additional information, which is used by the counterparty to make additional inferences. Thus, not only the fact that a first offer is made but also how it is made makes a difference.

Precise First Offers

First offers with a precise value were investigated in recent research. Mason et al. (2013) demonstrated that a precise anchors led to better results for the anchoring party than a rounded number (e.g., a value of 287 USD vs. 300 USD) as the negotiator appears more competent and informed about the negotiation issue. Loschelder, Stuppi, et al. (2014) replicated this precision effect and found that the increased plausibility of the value was the mechanism of this effect. Another study found that a high precise anchor point led to the best outcomes in real estate negotiations (Cardella & Seiler, 2016). Loschelder et al. (2016) found that precise-offer tactics had some limitations, with a precision effect being U-shaped for experts and linear for amateurs. However, experts can be convinced beyond the U-shape if the proposer convincingly conveys competence. The effect of excessive precision was replicated by Frech et al. (2019), who investigated whether this effect differed depending on the expertise of the negotiator, revealing the excessive precision effect for negotiations in and outside a negotiator's area of expertise. Precise offers affect senders and receivers differently. Loschelder et al. (2017) found that while the precise anchor increases the anchoring effect for the recipient, it reduces the offer made for the sender. In addition, the authors found evidence that two different mechanisms were involved: attribution of competence for the receiver and scale granularity adjustments for the sender. The two distinct moderating effects were empirically confirmed in another study (Frech et al., 2020). The precise offer tactic is robust even when negotiators know about it (Thorsteinson, 2021). However, there are situations in which a precise offers do not work. Leib et al. (2021) investigated real estate transactions and found that precise prices lead to higher counteroffers in a buyer market and lower counteroffers in a seller market.

Multiple-Value First Offers

Research has identified several forms where the initial offering includes not just one but two or more values. Leonardelli et al. (2019) introduced the concept of multiple equivalent simultaneous offers (MESO). They compared a single package offer versus multiple package offers of the same value and found that

MESOs produced stronger anchors and better outcomes for the offering party, as they were perceived as a more sincere attempt to reach agreement. MESOs are also more likely to include an attractive alternative for the recipient. The authors provided evidence that MESOs can improve joint values and relational outcomes.

Burger (1986) introduced another type of first offer, the "that's not all technique". After making an initial offer, another better offer was made without letting the counterparty respond. The author investigated this effect in an experiment with a cupcake stand, in which a better offer was presented after first offers (e.g., .75 USD after 1.00 USD). It was demonstrated that in the case of an improved offer, more sales were generated. The authors showed that this can be attributed to anchoring. For instance, the .75 USD offer was perceived as an improvement from the initial 1.00 USD anchor.

Another type of first offers are so-called "tandem anchors" (Ames & Mason, 2015), defined as range offers (e.g., an offer of 10–15 USD), which led to better results without jeopardizing the relationship with the other party. In addition, the authors investigated extreme ranges (starting with an already extreme point) and found no superiority over point offers.

Simultaneous First Offers

The advantages of first offers are typically reaped by the party making the first move. However, what if the parties agree to simultaneously make their first offers? Chatterjee and Lilien (1984) demonstrated writing down offers and simultaneously revealing them yielded worse results than a first offer made by either a buyer or seller. This finding indirectly supported research on the basic the first offer effect, as a first offer by either party should lead to an advantage for the party proposing it.

Specially Communicated First Offers

Not only the size but also how first offers are communicated is significant. Majer et al. (2020) found that framing first offers as an offer versus a request significantly changed outcomes. The first movers who offered ("I offer…") yielded higher profits in the final agreement than those who requested ("I request…").

Tough and firm language of first offers elicited better counteroffers compared to warm and friendly first offers, as demonstrated by Jeong et al. (2019). This led to better negotiation outcomes. The authors also found no difference in satisfaction for the different communication types.

Maaravi, Ganzach, et al. (2011) investigated whether adding arguments makes the anchor more effective. The authors drew on the famous copy machine study (Langer et al., 1978), in which a placebic argument was shown to support demand (skipping the line in front of a copying machine). The authors found that arguments did not help if counterarguments could be generated easily. In this case, the counteroffers were more aggressive, and settlement prices were worse than with no argument.

Wu et al. (2008) investigated repeatedly displayed anchors and found mixed results. Showing an anchor twice did not increase the effect, whereas a three-time repetition led to effects when the first anchor did not work. This suggests that repetition could increase the effect; however, more research is needed to substantiate this assertion. This is linked to the *mere exposure* effect, which shows that liking of a stimulus increases with the frequency of the display (Zajonc, 1968).

Schaerer et al. (2020) investigated what happens if the first-offer maker shifts the focus of the recipient reservation prices (e.g., "How does this relate to the minimum price you would accept?"). In this case, the recipient replied with lower counteroffers but showed higher satisfaction. However, in the case of high-power recipients, this tactic backfired and led to higher counteroffers and lower satisfaction.

Unrelated First Offers

Whyte and Sebenius (1997) provided an unrelated and wrong first offer in a negotiation setting by forwarding a note that said that the translator put a 12 USD offer forward; however, this was labelled as a misunderstanding and not an actual offer. In the high-anchor condition, the offer was 32 USD. The authors found that this anchor, even though it was labeled as an error and should not be used, influenced offers, aspiration levels, and the bottom line of the negotiator. Kristensen and Gärling (2000b) replicated the finding that irrelevant anchors influenced negotiation outcomes and suggested that an unrelated anchor influenced the counteroffer via the reservation price. The same has been shown for an extreme anchor made in a joking manner, which influenced salary offers (Thorsteinson, 2011).

Another type of anchor is the so-called "phantom anchor," which is an artificial anchor above the actual anchor value. Bhatia and Gunia (2018) found that such an anchor increases the outcome for the anchoring party but may lead to being perceived as manipulative. The authors warned that this tactic is risky. This is similar to Burger (1986), who demonstrated that immediately lowering the price via a discount generated perceived gain.

Specially Timed First Offers

Studies examining the timing of first offers are rare. Mannix and Innami (1993) investigated the role of a delayed first offer (20 minutes in a 45-minute negotiation) versus an immediate first offer. The effects were found depend on the preparation. If negotiators prepared only their own arguments, the timing made no difference. If participants prepared both their arguments and counterarguments, the first offers were much lower. It appears that thinking about counterarguments weakens one's first offer. Sinaceur et al. (2013) found that later offers facilitate creative agreement. Furthermore, information exchange mediates this effect. The authors replicated the first offer effect regardless of point in time. Thus, waiting for first offers may be a good strategy but with the risk that the other party may move first.

Timing made a difference in the cultural context. Adair et al. (2007) demonstrated that Japanese negotiators make first offers earlier than US negotiators and that early first offers generated higher joint gains for Japanese negotiators, while communication before the offers created higher value for US negotiators.

In addition, previous price information (e.g., from other rounds or previous contract terms) can act as anchors and influence negotiation outcomes (Phillips & Menkhaus, 2010). Although this is not a classical timing issue, it is of high practical relevance, as in real-world negotiations, it is easy to transmit or obtain information before the actual negotiation starts.

In summary, the topic of first-offer types seems to be well researched. The precision effect was replicated multiple times. Additional communication with first offers was connected to the following chapters. Flanking communication ("how" a first offer is made) could make a difference in the negotiation process and have an additional impact besides value.

Unfolding the Effects of First Offers: The Negotiation Process

As discussed above, most studies on first offers focused on negotiation outcomes and first-offer characteristics. However, the largest part of a negotiation occurs between these elements. This study argues that first offers determine several factors and activities in the negotiation, which in turn lead to the final outcomes. During the negotiation, there is an immediate reaction to first offers, typically a counteroffer. Furthermore, the information conveyed is used to judge the situation, and the subsequent behavior is

adjusted accordingly. Research on this topic is relatively sparse, even though it is actually the core of negotiations. Finally, the negotiation process involves activities that mitigate the effects of first offers.

Counteroffers and Other Immediate Reactions

Typically, first offers are followed by the counteroffers, which are influenced by multiple reference points. Yukl (1974) found that first offers act as a reference point from which the next offer starts; however, initial difference in value prevails over time. Yukl manipulated initial offers and concession magnitudes in a setup comparable to that of Chertkoff and Conley (1967). Kristensen and Gärling extended the early results by confirming that initial offers jointly influenced counteroffers with reservation prices. When initial offers were perceived as losses, counteroffers were lower than when initial offers were perceived as gains. In the case of perceived gains, the authors reported higher final prices, fewer offers, and fewer impasses (Kristensen & Gärling, 1997, 2000a). Van Poucke and Buelens (2002) reported that over 57% of the outcome variation was explained by buyer and seller first offers. Furthermore, Benton et al. (1972) showed that extreme first offers tended to trigger extreme counteroffers.

There is some evidence that counteroffers also affect negotiation outcomes. Ritov (1996) reported a positive correlation between initiators' and non-initiators' first offers. As counteroffers are highly correlated with first offers, this behavior is also expected. Similar results were reported by Van Poucke and Buelens (2002), underlining the importance of reference points.

Research on reactions other than counteroffers is sparse. Fassina and Whyte (2014) investigated the impact of a strategic flinch in response to first offers and found that flinching negotiators yielded significantly better results than non-flinching negotiators. However, the counterparty viewed the relationship as less positive. The latter effect was reduced by a subtle flinch that led to positive effects.

In the legal context, Campbell et al. (2015) investigated the efficiency of responding tactics, namely, ignoring, attacking, and countering an initial offer but found no significant effect. The authors reported a significant effect on negotiation outcomes only in the sub-condition of countering a high anchor. In addition, the type of response seemed to matter: voicing constraints (e.g., "I can't pay more") led to better counteroffers and outcomes versus disparagement rationales (e.g., "It's too expensive") in different studies (Lee & Ames, 2017).

In general, it seems that an immediate reaction to first offers has the potential to influence the economic and subjective outcomes of negotiations. A deliberate reaction could completely change the course of the negotiation and be almost as important as first offers. However, few studies have addressed this area, and there is great potential for further investigation.

Impacts on the Evaluation of the Negotiation Situation

As described above, first offers can convey additional information. Furthermore, together with the initial reaction to first offers, the "scene for the negotiation" is set, and negotiators have a better picture of the playing field for the negotiation and can adjust their strategy accordingly. However, only a few studies have examined this phase, despite the fact that the evaluation lays the ground stone for behavior in the negotiation.

The first offers of the counterparty are used to check the reasonableness of their aspirations (Liebert et al., 1968). This supports the assertion that first offers are relevant to "set the scene" of the negotiation and shape the negotiation process.

Srivastava (2001) conducted an experiment with a buyer and seller role and found that the seller perceived the buyer to be more competitive when the counteroffer decreased and the gap between the first offer and counteroffer increased. This initial evaluation influenced all subsequent interactions.

Lee et al. (2018) found evidence that a precise first offer influenced the evaluation of a negotiation situation. Precise first offers were perceived by the counterparty as a barrier to engaging in a negotiation, as they seemed to convey a signal that the proposer is inflexible with the price.

Although their study's primary focus was on disabilities and their role in salary negotiations, Ameri et al. (2021) reported further effects of first offers. For instance, an early anchor increased economic outcomes (i.e., pay). However, this led to lower ratings of employability and trustworthiness. This was true for disabled and able-bodied first-offer proposers.

Impacts of First Offers on Subsequent Negotiation Behavior

If first offers affect counteroffers and situation assessments, negotiation behavior should also be influenced. There is some support for this assumption in literature.

First offers seem to influence subsequent concession behavior. There is evidence that higher first offers tend to lead to higher concession-making by counterparties (Bateman, 1980). In the case of instant messaging negotiations, Johnson and Cooper (2009) showed that concession-making by the first mover decreases that by the second mover. It also led to more concessions by the first mover in general; however, the study did not report outcome measures. Therefore, even in the case of higher concessions, the overall result could be better for the initiator. Yukl (1974) found that after an initial tough offer, negotiators had lower aspirations, made more favorable counteroffers, and made a more favorable final bid compared to a soft initial first offer. Yukl (1974) also found that small concessions led to more favorable final offers, lower aspirations, and a higher toughness evaluation of the counterparties.

In addition, first offers influenced other negotiation behaviors. Jeong et al. (2020) showed that generous first offers could lead to economically suboptimal behaviors, such as disclosure of information, of the recipient. The authors carried out a field study, in which they made normal or generous offers to sellers on a classifieds website. Sellers who received generous offers disclosed more disadvantageous information than other sellers.

Overall, research on the impact of first offers on the subsequent negotiation process is sparse. The dyadic interaction in the sphere of first offers (A says x, B says y) and the potency of first offers to convey information hint towards many potential effects that are yet to be explored.

Measures to Reduce the First Offer Effect

The anchoring effect was demonstrated to be robust. Northcraft and Neale (1987) investigated whether subject matter expertise could reduce the strength of the anchoring effect. In their experiment, they compared whether students and real estate experts were impacted differently by anchoring bias in a real-world setting and found that both subject types were impacted by the anchoring bias in the same way. In addition, contingent rewards did not seem to change the effect of anchoring (Diaz et al., 1999). Furthermore, automated warnings about values that are too high in a decision support system did not reduce anchoring effects (George et al., 2000).

However, some strategies help reduce the anchoring effect, such as when negotiators focus on information that is inconsistent with the anchor (Galinsky & Mussweiler, 2001). Thinking about other alternatives to the negotiation, the opponent's reservation price, or one's own target reduced the anchoring effect. In addition, anger led to a lower anchoring effect: people in an angry state were less receptive to other anchors but more receptive to their own anchors (Jung & Young, 2012). The authors explained this effect with a "moving against the action tendency", which is induced by anger. Furthermore, disgust and anger were compared with a neutral state, and only anger reduced the anchoring effect (Jung & Young, 2019). In this

study, the authors also showed that anger leads to less anchoring if the anchor value comes from a confrontable source (someone else versus oneself or an out-group member versus an in-group member).

In general, the area of what happens after the first offers and the reactions that occur display the fewest studies in the field of first offers. This is probably the biggest gap in the literature, with a of a detailed understanding of how evaluation and behavior are impacted by first offers and how negotiators' activities change this picture. This is likely related to the non-dyadic nature of the anchoring-decision problem. Adopting a negotiation lens and exploring the negotiation process are required to fully understand the effects that first offers exerts on negotiations.

Exploring Differences in Outcomes: First Offer Effects on Economic and Subjective Outcomes

Although this study touched upon the effects of first offer types on outcomes, this section addresses some additional elements.

Effects on Economic Negotiation Outcomes

The most researched issue regarding first offers in negotiations is the impact of quantitative first offers on negotiation outcomes. Since early studies, this effect has received consistent empirical support.

Early publications have shown that extreme first offers lead to better negotiation outcomes. To the best of our knowledge, the initial study on first offers was by Chertkoff and Conley (1967), who found that extreme initial offers lead to better negotiation results. Chertkoff and Conley studied the effect of extreme and moderate first offers on the final price in a car sale negotiation. The study design featured a confederate that started negotiations with either extreme ($2,000; which was $1000 above the market price) or moderate ($1,500; which was $500 above the market price) first offer. The extreme offers led to unfavorable counteroffers and lower negotiation outcomes for the first offer receiver compared to the moderate first offers. Liebert et al. (1968) replicated the findings of Chertkoff and Conley (1967) with comparable car sale negotiations and showed that an unfavorable first bid led to lower outcomes than a favorable bid. Liebert et al. (1968) introduced information availability as an additional condition, where the first offer effect did not occur with complete (vs. incomplete) information availability regarding profits. Benton et al. (1972) showed that extreme opening offers worked best when followed by concessions and that the negotiator did not stick to extreme offering.

Numerous authors confirmed the first offer effect on negotiation outcomes in experimental (Bateman, 1980; Davis & Hyndman, 2019; Galinsky & Mussweiler, 2001; Kristensen & Gärling, 2000b; Ochs & Roth, 1989; Ritov, 1996) and analytic studies (Sadanand, 1996; Samuelson, 1980). The first offer effect has also been replicated in field studies. Chi et al. (2013) collected data on eyewear sales interactions of a Taiwanese eyeglass company and replicated the first offer effect and its interaction with customer reference values that reduced the first-offer effect. Other authors replicated the first offer effect in publicly available negotiation data of US warrants and international iron ore (Wilson, 2012; Yao et al., 2018). In addition, the first-offer effect has been demonstrated in other negotiation contexts, such as personal injury damage awards (Marti & Wissler, 2000) and legal settlement rates (Pogarsky & Babcock, 2001).

Few authors have not succeeded in replicating the first-offer effect, with the design of the experiment likely leading to this outcome. Spencer (2010) concluded that the outside option of the negotiation partner diminished the first-offer advantage. Gatzlaff and Liu (2013) examined the anchoring effect via list prices in commercial real estate and found no correlation in that case. This is counterintuitive, as several other authors have found an effect in non-commercial real estate (Cardella & Seiler, 2016; Northcraft & Neale, 1987).

However, although there are numerous studies on the effects of first offers on numeric negotiation outcomes, the effect on non-numeric outcomes has received limited attention. This is noteworthy, as negotiation research has become more concerned with the subjective outcomes of negotiations.

Effects on Subjective Negotiation Outcomes

Although several studies have explored the behavioral effects of first offers (Jeong et al., 2020; Lee & Ames, 2017), the focus is still on economic outcomes. This view may be too restrictive, as there is another category of outcome: the subjective negotiation outcome. Curhan et al. (2006) defined subjective outcomes as "the social and emotional consequences of a negotiation" (p. 497). Curhan et al. identified four subscales of subjective negotiation outcomes in their subjective value inventory (SVI): instrumental outcome (the perceived adequacy of the negotiation result), feelings about the self (satisfaction with one's own behavior and performance), process (how satisfying the process was perceived), and relationship (impression of the counterparty, such as trust or overall impression). First offers can have a significant effect on subjective value, which in turn can influence future interactions. One example is a study of phantom anchors, in which a phantom anchor produced better results but could create a sense of deceit and damage the relationship (Bhatia & Gunia, 2018).

Galinsky et al. (2002) investigated why negotiators whose first offer was immediately accepted were less satisfied even if they achieved better outcomes than the group with no immediate acceptance. The authors explained this with counterfactual thoughts that led the negotiator to consider what could have happened. This also impacted future likeliness to make first offers. Rosette et al. (2014) found that anxious negotiators were less satisfied after making first offers, even if they led to better economic outcomes.

Maaravi et al. (2014) found that anchoring could lead to perceived worse results for the counterparty and decreased willingness to negotiate in the future. Negotiation studies typically involve one-shot negotiations without subsequent interaction of the participants. The assumption of one-shot negotiations may be highly inapplicable for real-life negotiations, where satisfaction and relationship with the other party might be as important as the economic result as the negotiators meet again, such as in annual contract negotiations.

Despite the potential importance of this construct, only a few studies have investigated subjective outcomes and no study has used the SVI inventory to measure the impacts of first offers. Intuitively, an extremely low first offer could lead not only to an impasse but also to a lower reputation of a negotiator. One might consider a car salesperson who offers an extremely low amount for a used car. Even if this works in terms of price, it is hard to imagine that it does not affect the evaluation of the salesperson.

Downside of First Offers

Given the strong support for the first-offer effect, negotiators should consider first offers. However, research has uncovered potential disadvantages of this tactic. One downside is the potential negotiation impasse, a situation in which further progress toward an agreement is not possible. Wang et al. (2008) showed that higher first offers resulted in higher impasse rates. The authors also demonstrated an interaction between power and impasse. If low-power individuals made extreme offers, they were perceived as too aggressive, which in turn led to an impasse. These results were supported by Schweinsberg et al. (2012), who also demonstrated a higher impasse rate for extreme offers. Their findings indicated that both high-power and low-power individuals were equally offended by an extreme first offer, while low-power negotiators had higher walk-away rates. Similarly, Maaravi et al. (2014) reported higher impasse rates and found that the counterparties of the anchoring party were less satisfied with their results and had a lower interest in future negotiations with the anchoring party.

There is further evidence of the disadvantages of the first offer under certain conditions. Loschelder, Swaab, et al. (2014) showed that if a first offer reveals a compatible preference, it might be used against first offers proposer. This was moderated by social orientation; the authors found that pro-self negotiators were more likely to capitalize on the information. This advantage was replicated in a subsequent study by Loschelder et al. (2016). The authors manipulated the information conveyed by first offers (priorities of negotiation issues in an employment contract negotiation) and social orientation (pro-self versus prosocial). The authors showed that if first offers included priority information, pro-self negotiators exploited this information, and the first-offer advantage turned into a disadvantage. In addition, Osório (2020) described the conditions under which a moving second is advantageous. For instance, for patient negotiators with high differences in preferences, a moving second might make sense, according to the decision model of the authors.

Limitations of the First Offer Effect

There are situations in which an anchoring effect is not observed. In auctions, low first offers do not function as anchors (Galinsky et al., 2009; Ku et al., 2006). Three factors lead to this effect: higher traffic due to a lower barrier to entry that led to higher final prices, low entry points that led to an investment of time and energy and cause an escalation in commitment, and the fact that bidders inferred higher value of the item from the high traffic (Galinsky et al., 2009). In addition, in multilateral bargaining with alternating offers, a first-offer effect was not confirmed in a study by Shupp et al. (2013), who conducted an experiment in which a buyer had to negotiate with two sellers to sell a unit. The initial difference in first offers (higher for sellers and lower for buyers) did not yield any difference in the final outcomes. However, as this study was a bargaining game with multiple rounds, the authors assumed that the results converged to the average over time. However, the first offer effect was significant in a study using a setup with multiple parties and two levels, in which participants had to negotiate a supply chain setup (Leider & Lovejoy, 2016).

Uncovering Moderators and Boundary Conditions

In addition to the elements in the present process model of first offers in negotiations, there are additional factors that moderate the effects of first offers on the negotiation process or act as boundary conditions.

Individual Factors of Negotiators

Individual factors have been shown to moderate anchoring effects. Most of the effects were found for gender. However, cultural and psychological states contribute to this process. Especially for gender, the effects are complex and might act as both drivers and moderators.

Gender. Kray and Gelfand (2009) investigated gender differences and found that women were more relieved than men when first offers were accepted, but only if behavioral norms regarding negotiation were ambiguous. The authors explained this with the assertion that women value their relationship with their partner higher than men. Miles (2010) showed that gender had an impact on whether an intended first offer was actually made and found that women followed their intended offer to a lesser extent than men. Furthermore, men's planned first offers were significantly correlated with their counteroffers, but women's were not. These two mechanisms influencing first offers and counteroffers disadvantaged women.

Hong and van der Wijst (2013) provided additional evidence regarding gender and first offers. The authors found that first offers generally did not differ between genders, unless the negotiators were primed with power. When women were primed with power, their first offers increased, while men's first offers did

not increase when primed with power. As a result, women closed the gap with men regarding negotiation outcomes. This is a remarkable insight, as first offers did not seem to drive the gap between women and men in terms of outcomes. This conflicts with the results of Toosi et al. (2019), who found significant differences between the first offers of white women and men. In addition, the authors reported cultural differences: Asian American men had lower first offers than White American men. The authors presented a mechanism of this effect, namely, the backlash amount, which is the amount that is considered to be acceptable to ask without being perceived as too pushy. This number was significantly higher in white participants in their study.

Furthermore, pairing the negotiation dyad is relevant. Men seem to make a tougher first offer when negotiating with a female counterparty compared to a male counterparty (Dittrich et al., 2014).

Culture. There is some evidence that the first offer effect is stable across cultures (Ma, 2007, for Canadian and Japanese negotiators). Ma showed that an avoiding personality type reduced the first offer probability for Canadian negotiators. These results were also replicated by Gunia et al. (2013), who showed the stability of the anchoring effect across cultures and negotiation issues. The authors demonstrated that power moderated the effect, and that low-power negotiators benefitted from the anchoring effect. However, culture may be relevant in predicting first offer size and proposers. Intuitively, there could be cultural differences between Asian and North American negotiators in terms of being more direct and assertive in negotiations.

This cultural stability is remarkable, as it underlines the robustness of the anchoring effect. Intuitively, cultural differences should play a role in first offers; however, this may be more relevant in the antecedents in that different cultures make different first offers. Once first offers are made, it appears to work across different cultures.

Psychological States. Another factor affecting first-offer effectiveness is the internal versus external locus of control orientations. Shalvi et al. (2010) showed that internally oriented individuals were less influenced by the initial offer they received. This was achieved by the generally higher joint gains achieved by internally oriented negotiators. When looking at states rather than traits, anxiety seemed to lead to lower first offers, quicker reactions to offers made, and ultimately lower results (Brooks & Schweitzer, 2011).

Power influences the first initial offer effect in a wide range of situations, as noted above. This also moderates the anchoring effect. Power increases susceptibility to the anchoring effect in general (Lammers & Burgmer, 2017). The authors theorized that power, which leads to more heuristic information processing, supports anchoring, and confirms this hypothesis in their experiments.

Negotiation Context

As with the antecedents, the negotiation context moderates the first offer effects. This concerns the negotiation itself (negotiation type, information availability, and time constraints) and the role of the negotiators within the negotiation.

Negotiation Type. The negotiation issue type appeared to be an important boundary condition. Compatible negotiation issues seemed to be highly dependent on first offers, whereas integrative issues were highly dependent on information exchange (O'Connor, 1997).

Negotiation in a bartering situation, in which goods are traded against each other, reduced the anchoring effect (Leusch et al., 2018). As this bartering situation is considered a low money salience situation, this could also hint toward a lower anchoring effect for qualitative negotiation issues.

Information Availability. Liebert et al. (1968) found that the availability of information (complete vs. incomplete) was significant: in the case of incomplete information, first offers played a greater role in predicting the outcome. Moreover, knowledge of the other's BATNA or whether the counterparty knows one's BATNA significantly influenced one's first offer (Buelens & Van Poucke, 2004). These findings are

supported by the meta-analysis of Orr and Guthrie (2005) who reported a correlation between first offers and outcomes of .38 when some information was shared versus not (.497). Kim and Park (2017) identified pre-offer conversation scenarios and found that gaining power through information seeking was the only effective strategy for reducing the anchoring effect. Maaravi and Levy (2017) found that in the case of information asymmetry, awaiting first offers led to better results for the negotiator. This was the case for exotic negotiation items (a rare pottery figure), for which negotiators typically do not have a reference value. These results were replicated in a subsequent study by Jiang and Ma (2019). The authors added evidence that the second-mover advantage was most likely to occur when the buyer, who was not knowledgeable about the market price, expected a higher price than the actual market price.

Negotiator Role. Weingart et al. (1990) investigated integrative negotiations and revealed differences between seller and buyer first offers and their relation to final outcomes. For sellers, the relationship was found to be an inverted U-shape, while for buyers, it was a positively linear relationship. Other authors have found a general advantage for buyers (Cotter & Henley Jr., 2009). The authors did not replicate the first offer effect and found no difference between buyers and sellers who made and did not make the first offers. These results are noteworthy, as the sample size was considerable with over one thousand negotiations.

Time Constraints. Time constraints influence the process of the first offers. Srivastava et al. (2000) found that costs of delays may lead negotiators to make lower first offers to hasten agreements. Sterbenz and Phillips (2001) investigated timing issues and introduced random delays in offer transmissions. In their setting, random delays led to an advantage for the first-offer proposer that was not present when offers were immediately transmitted. Furthermore, agreements were made earlier, during an agreement period of three minutes when delays were present. This finding suggests that with time delays, negotiators may behave differently to enable agreement.

Establishing Research Gaps and Future Research Avenues

This literature review aggregated and structured a vast body of knowledge regarding first offers in negotiations. However, to date, the focus has been mainly on the effects of first offers on negotiation outcomes and the distinction between different types of first offers. Particularly in the areas of antecedents and the negotiation process, there are gaps that call for further research to obtain a clearer picture of first offers in negotiations and their underlying mechanisms. The elements of the process model of first offers in negotiations are summarized earlier in Figure 2.

First Offer Antecedents

Given the strength and robustness of the first offer effect, surprisingly few studies have addressed the question of the determinants that drive some negotiators to make first offers and those that incline others not to do so. As Maaravi and Levy (2017) noted, 64% of students surveyed in their first year of study preferred not to make first offers. This could be driven by personality characteristics (e.g., neuroticism could lead to anxiety that prohibits first offers) or other culturally shaped norms and/or beliefs about negotiations. In addition, the role of the negotiation process (buyer vs. seller) could make a difference. Gender may also be a relevant determinant. There is some evidence that women have a lower tendency to initiate negotiations (Magee et al., 2007). As suggested by Babcock and Laschever (2009), “Women don’t ask” which could hold for making first offers. These variables are not limited to the party making the first offer but include the value of first offers.

Furthermore, culture is expected to play a key role. While there is strong evidence that the anchoring effect of the first offer appears to be inherently robust, culture can certainly influence how this effect works.

At first, culture could determine whether it is appropriate to make the first offer in a certain social context and if yes, how high it should be. The evaluation of a first offer or the impression the first offer proposers make on their counterparts could vary greatly across cultures. Whereas most cultures tolerate making a first offer, in some cultures it might be perceived as rude and this assessment can have an impact on the negotiators' reaction in the following negotiation process. These culturally dependent differences are still possible, even though the underlying mechanism seems stable across cultures.

First Offer Types and Characteristics

The potency of first offers in influencing negotiation outcomes has been thoroughly demonstrated. However, four research questions remain to be answered: first offer timing, framing, ideal value, and nonnumeric negotiation issues. In particular, nonnumeric anchors are highly relevant. In real life, many issues can act as anchors: a contract, previous negotiation history, or qualitative proposal.

As shown above, first offer timing received limited attention within the negotiation process. However, in practice, many negotiators perform position first offers or demands before an actual negotiation takes place. This might happen in an informal chat before the negotiation starts, in a presentation by the top management, or in a letter before the negotiation. These anchors may not work as effectively, as the responder has time to de-bias by generating counterarguments and considering alternatives. However, this is a widely used tactic worth investigating in practice. It would be interesting to investigate whether an anchor placed before the actual negotiation generates an equal first-offer effect.

In addition, the way requests prior to negotiations are framed could make a difference. They could take the form of a specific request (e.g., "We want 3% cost reduction"), a comparison value (e.g., "We need about 3% cost reduction across the supply base), or a guidance value (e.g., "We need to reduce costs by 3%"). Furthermore, such a request could also generate reactance and influence the psychological state of the receiving negotiator/party before the negotiation starts. Exploring these "ex ante" effects would shed light on this commonly used tactic. This semantic difference is potentially interesting if made in the negotiations. Beyond the framing of a concrete offer, the narrative of the negotiation or the offer could change the picture.

Several reviewed results demonstrated that extreme offers improve economic outcomes. However, this does not fully translate into practical guidance for practitioners. How low or high should one go when making an initial offer? Should one go 20%, 30%, or 40% below the expected offer, and when would one risk the other party walking away or ruining the relationship? Further research could help close this gap and ideally identify the perfect balance with the highest economic gains and lowest adversarial effects. This likely needs to be researched with regard to other reference points in negotiations.

In addition, as pointed out above, the issue of non-numeric anchors is mostly disregarded in anchoring research. These non-numeric anchors could have a strong impact on the negotiation and should thus receive attention in future research.

Negotiation Processes Following First Offers

Previous literature has shown that first offers influence subsequent negotiation behavior, such as value of counteroffers and subsequent offers (Bateman, 1980; Kristensen & Gärling, 1997). In addition, other psychological effects, such as information sharing (Jeong et al., 2020), are influenced by the initial offer. However, this study argues that the impact of first offers on the remaining negotiation process remains largely unexplored. Each aspect in the present models needs to be systematically investigated to understand how first offers impacts the negotiation process.

Counteroffer and Other Reactions

Several studies have found that first offers influenced the counteroffer. There is also evidence that the counteroffer has a significant impact on the outcomes. However, this study argues that counteroffers have a more nuanced impact. First, different counteroffer values likely have different effects. The more extreme a counteroffer, the more it should "correct" the first offer effect. This effect depends on the value of first offers and other reference points. Second, the method of making a counteroffer (e.g., with anger or just ignoring it) and timing likely make a difference. To the best of our knowledge, few studies have addressed these issues. This is remarkable, as the management literature gives concrete recommendations for the counteroffer. Gunia (2017a) recommended a reaction depending on the attractiveness of first offers. Thompson (2001) recommended quick placement of a counteroffer to minimize the anchoring effect and signal willingness to negotiate. However, empirical results confirming these suggestions have yet to be generated. This could be of high importance, as there is some evidence that the natural counteroffer might be higher than the normative predictions or efficient counteroffers (Srivastava, 2001) and a programmed counteroffer could significantly improve negotiation results.

Beyond the above-described questions, there are other issues of potential interest, such as the determinants of counteroffer values. Do personal characteristics determine how extreme countermeasures are? Is this driven by the perception of the appropriateness of first offers?

Evaluation of the Negotiation Situation

This study proposes that first offers and counteroffers are both used, together with other reference points, to evaluate the negotiation situation. As discussed above, negotiators infer reference points from their counterparties' offers. Furthermore, the impression of the counterpart and the negotiation setting is shaped by the initial exchange of offers. This impression is expected to drive further negotiation behavior. These effects are largely unexplored in the literature and are an interesting research avenue. The perception of the counterparty, such as aggressive, accommodating, or helpful, could completely change the way negotiators behave in the subsequent negotiation.

Negotiation Behavior

Evaluation of the situation is expected to influence negotiation behavior. Both information-sharing (see Jeong et al., 2020) behavior and concession-making behavior could differ depending on the (perceived) negotiation situation. The concession magnitude, concession frequency, and total number are variables of interest in concession-making. Insights into actual behavior could shed light on how first offers influence negotiation outcomes beyond the insufficient adjustment and selective processing heuristic.

In the present model, the impact of first offers on the negotiation process can almost be considered a "black box", with the fewest research results to date and very limited understanding of what happens in this phase.

As the negotiation process is mostly long and complex, researchers have to first theorize about possible impacts of first offers in it. A separation by negotiation stage could be a good starting point to identify potential impacts. Lewicki et al. (2015), for example, identified seven phases: preparation, relationship building, information gathering, information using, bidding, closing the deal, and implementing the agreement. We could envision that first offers can have an impact on all these phases.

Negotiation Outcomes

Most studies on first offers focus on the economic outcomes of an agreement, score, or contract. However, some authors have investigated the subjective outcomes. For instance, Benton et al. (1972) showed that negotiators were the most unsatisfied with a very hard negotiator with extreme first offers. In addition, Rosette et al. (2014) investigated satisfaction and found that anxiety negotiators were less satisfied after making the first over, even if it led to better economic outcomes. These findings suggested that investigating the connection between first offers and the subjective outcomes obtained at the end of the negotiation process could be promising.

The relationship aspect of subjective outcomes is especially interesting. First offers and responses to the could have a significant impact on negotiators' relationships and the trust among them. This, in turn, could influence future negotiations. This aspect is also strongly related to the perfect balance at which ideal outcomes are realized without downsides in the relationship.

Moderating Factors and Boundary Conditions

Another area that has received little attention is the difference between the integrative and distributive negotiations. First offers could harm integrative negotiations and be more effective in distributive negotiations. In addition, negotiators' individual characteristics (e.g., personality, gender, beliefs, experience, and perspective-taking ability) are potentially interesting moderators that could significantly impact the first-offer process. Individual factors can also influence the various stages of the suggested model. Evidence from a study that did not occur in a negotiation setting supports this assertion. McElroy and Dowd (2007) found that individuals with high openness to experience (one of the five-factor model personality traits) were more influenced by anchoring cues than individuals with low openness to experience. Furthermore, Kray et al. (2001) examined differences in first offers with activated gender stereotypes and supported the need for further analysis of individual factors.

Experimental Subjects

Research on first offers and negotiation research in general heavily depends on experimental research methods, which are mostly conducted with students as participants. Studies reviewed in this paper included 265 experiments. 41% of the experiments used student subjects. The second largest experiment group with 23% used online subject pools (e.g., Prolific, Amazon Mechanical Turk). Furthermore, MBA students were used in 16% of the experiments and professional negotiators were used in 6% of the experiments. MBA students typically have work experience and can thus also be considered professional negotiators. The remaining 15% of experiments used a general population (4%), did not report the details (4%), or were non-experimental (7%). For further studies, it would be interesting to increase the number of professional negotiators to increase the representativeness of the results. However, we would not necessarily expect a big difference, as many results have also been replicated with subject pools and MBA students that also typically have work experience. In addition, the psychological effects should apply to humans in general and previous research demonstrated, that both negotiators with subject matter knowledge and students are subject to the first offer effect (Northcraft & Neale, 1987).

Concluding Remarks

The effect of first offers on negotiation outcomes has a strong empirical grounding. It is arguably one of the most studied topics in negotiation research. Research has amassed robust evidence that first offers

positively correlate with negotiated outcomes. However, since a negotiation is a complex process, it would be too shortsighted to restrict the scope to first offers and negotiation outcomes only. The goal of this article is to review the extant literature on first offers in negotiations, structure these findings in a comprehensive model, and highlight aspects that need further research.

In our process model of first offers in negotiations (Figure 2), first-offer antecedents were the starting point of our analysis. Some factors, such as power, determine which party makes the first offer, while other factors influence the value of the first offer. Important factors include expectations about the counterpart and the negotiators' own goals and possibilities. The next stage of our model is the first offer itself. The type of first offer, such as a precise first offer, can influence its effect or influence the counterpart. As a next step, we included the negotiation process itself. Some articles have investigated how first offers and reactions to them (e.g., a strategic flinch) influence the negotiation process. However, this phase received the lowest attention to date, even though the phase is the longest in a typical negotiation. The negotiation outcomes form the last element of our process model. The impact on economic and subjective outcomes has been investigated, and the downsides, such as coming to impasse, also received some attention. Finally, several moderators and boundary conditions influence the effect of first offers. Individual factors such as gender, culture, and context (e.g., information availability) play a role in the process.

While previous research uncovered important aspects of first offers, there are several research gaps that require further attention. We argue for a perspective change that emphasizes the dyadic character of negotiations and a switch from an isolated first-offer perspective to a negotiation opening. The response to the first offer (e.g., a counteroffer or another reaction) and the impact of this opening sequence on the negotiation process can influence outcomes significantly. Furthermore, the determinants of the first-offer proposer seem to be under-researched. It is not fully clear what drives people to make the first offer or refrain from doing so. Another important aspect is the role of culture. Some evidence suggests that the first-offer effect is stable across cultures, but the antecedents and impacts of first offers across cultures seem to be an especially promising research avenue. Thus, future research into first offers in negotiations can generate additional valuable insights into this intriguing phenomenon. Although the extant literature confirms the robustness of the effects of first offers in negotiations, we still need to complete our understanding of the underlying mechanisms of the first-offer effect.

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