

### Throwing a Low-Ball

Suppose you are thinking of buying a new car and start shopping around car dealers. You decide on a model and start asking for quotes to multiple dealers. You notice that one dealer offers \$300 lower than others. “Great!” you think and make the decision to purchase the car. You fill out purchasing forms, arrange financing terms, and rent out the car for the rest of the day before signing the contract. You really like the feel of driving it and decide to show it around the neighborhood as well as at work.

The next day, when you bring back the car to sign the contract, something strange happens. An error in the calculations has suddenly been discovered. It looks like the salesperson forgot to add the cost of the spare tire, and if you still require a spare tire, \$300 must be added to the price. For only another \$300, the car can be had, which, in context of a multi-thousand dollar deal, doesn’t seem too steep.

But wait a minute! Doesn’t this mean that the initial \$300 discount is now gone? Wasn’t that the main reason you chose to buy the car from this specific car dealer in the first place? Didn’t this salesperson have done this to you on purpose?

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### Questions:

Car dealers frequently try to benefit from this process through a trick they call “throwing a low-ball.” Please explain how this tactic works. Why is this so powerful? The story above is using the “low-ball technique” in a negative way. Can you think of a positive way to use this technique?

The illustration below shows why this technique is called “throwing a low-ball.” Please try to explain this technique using the illustration below.

