

Monday June 22nd 2009

- Home
- This week's print edition
- Daily news analysis
- Opinion
 - All opinion
 - Leaders
 - Letters to the Editor
 - Blogs
 - Columns
 - KAL's cartoons
 - Correspondent's diary
 - Economist debates

- World politics
 - All world politics
 - Politics this week
 - International
 - United States
 - The Americas
 - Asia
 - Middle East and Africa
 - Europe
 - Britain

- Special reports
 - Business and finance
 - About our new page
 - All business and finance
 - Business this week
 - Economics focus
 - Management
 - Business education
 - Economics A-Z

- Markets and data
 - All markets and data
 - Daily chart
 - Weekly indicators
 - World markets
 - Currencies
 - Rankings
 - Big Mac index

- Science and technology
 - About our new page
 - All science and technology
 - Technology Quarterly
 - Technology Monitor

- Books and arts
 - All books and arts
 - Style guide

- People
 - People
 - Obituaries


- Diversions

- Audio and video
 - Audio and video library
 - Audio edition

- The World In
 - The World in 2009
 - The World in 2008
 - The World in 2007
 - The World in 2006
 - The World in 2005
 - The World in 2004

- Research tools
 - All research tools
 - Articles by subject
 - Backgrounders
 - Economics A-Z
 - Special reports

replay



Let's build a smarter planet.

Find out how at ibm.com/think

Science & Technology

Pricing and the brain
Hitting the spot

Jan 17th 2008
 From *The Economist* print edition

People do not just say they enjoy expensive things more than cheap ones. They actually do enjoy them more



Alamy

EVERYONE loves a bargain. But retailers know that people will sometimes turn their noses up at a cheap version of a more expensive item, even if the two are essentially the same. That suggests something is at work in the mind of the consumer beyond simple appreciation of a product's intrinsic qualities.

The something in question is expectation, according to research published this week in the *Proceedings of the National Academy of Sciences* by Antonio Rangel of the California Institute of Technology. Dr Rangel and his colleagues found that if people are told a wine is expensive while they are drinking it, they really do think it tastes nicer than a cheap one, rather than merely saying that they do.

Dr Rangel came to this conclusion by scanning the brains of 20 volunteers while giving them sips of wine. He used a trick called functional magnetic-resonance imaging, which can detect changes in the blood flow in parts of the brain that correspond to increased mental activity. He looked in particular at the activity of the medial orbitofrontal cortex. This is an area of the brain that previous experiments have shown is responsible for registering pleasant experiences.

Dr Rangel gave his volunteers

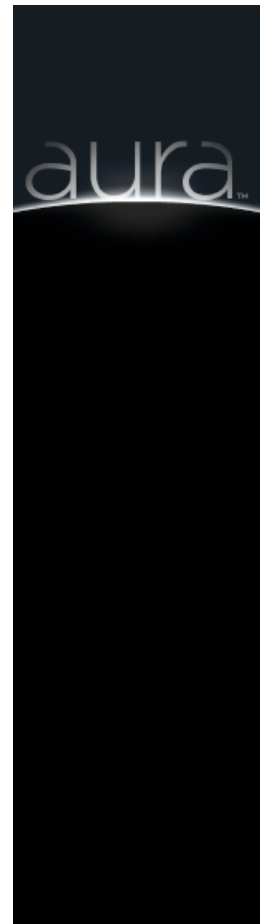
- Recommend (56)
- E-mail
- Share
- Print
- Reprints & permissions

Related Items

More articles about...
 Food and drink

Websites
 Antonio Rangel's study is published in the *Proceedings of the National Academy of Sciences*.

Advertisement



| |
|--|
| Style guide |
| Country briefings |
| All country briefings |
| China |
| India |
| Brazil |
| United States |
| Russia |
| My account home |
| Newsletters and alerts |
| Manage my newsletters |
| Manage my e-mail alerts |
| Manage my RSS feeds |
| Manage special-offer alerts |
| More » |
| Print subscriptions |
| Subscribe to <i>The Economist</i> |
| Renew my subscription |
| Change my print subscription delivery, billing or e-mail address |
| Pay my bill |
| Activate premium online access |
| Report a missing copy |
| Suspend my subscription |
| More » |
| Digital subscriptions |
| Subscribe to Economist.com |
| Manage my subscription |
| Mobile edition |
| Audio edition |
| Download screensaver |
| More » |
| Classifieds and jobs |
| The Economist Group |
| About the Economist Group |
| Economist Intelligence Unit |
| Economist Conferences |
| Intelligent Life |
| CFO |
| Roll Call |
| European Voice |
| EuroFinance |
| Reprints and permissions |
| EIU online store |
| Economist shop |
| Advertisement |

sips of what he said were five different wines made from cabernet sauvignon grapes, priced at between \$5 and \$90 a bottle. He told each of them the price of the wine in question as he did so. Except, of course, that he was fibbing. He actually used only three wines. He served up two of them twice at different prices.

What is truth?

The scanner showed that the activity of the medial orbitofrontal cortices of the volunteers increased in line with the stated price of the wine. For example, when one of the wines was said to cost \$10 a bottle it was rated less than half as good as when people were told it cost \$90 a bottle, its true retail price. Moreover, when the team carried out a follow-up blind tasting without price information they got different results. The volunteers reported differences between the three "real" wines but not between the same wines when served twice.

Nor was the effect confined to everyday drinkers. When Dr Rangel repeated the experiment on members of the Stanford University wine club he got similar results. All of which raises the question of what is going on.

There are at least two possibilities. The point of learning is to improve an individual's chances of surviving and reproducing: if the experience and opinions of others can be harnessed to that end, so much the better. Dr Rangel suspects that what he has found is a mechanism for learning quickly what has helped others in the past, and thus for allowing choices about what is nice and what is nasty to be made speedily and efficiently. In modern society, price is probably a good proxy for such collective wisdom.

However, goods can be desirable for a reason other than survival value. Many of the things for which high price is an enhancement are purchased in order to show off, as any male confronted with the wine list in a fancy restaurant knows. Indeed, conspicuous consumption and waste are an important part of social display. Deployed properly, they bring the rewards of status and better mating opportunities. For this to work, though, it helps if the displaying individual really believes that what he is buying is not only more expensive than the alternative, but better, too. Truly enjoying something simply because it is exclusive thus makes evolutionary sense.

Besides its role in giving cachet to wine, this may be the explanation for the sort of modern art that leaves the man in the street cold. Art collecting is a high-status activity *par excellence*. Many lowlier mortals regard it as pretentious. If Dr Rangel is right, though, pretence may not be the true explanation. The collector who has paid millions for a plain-coloured canvas or a pickled sheep probably really does think it is beautiful.

Whichever explanation is correct (and both might be), Dr Rangel's research also has implications for retailers, marketing firms and luxury-goods producers. It suggests that a successful marketing campaign can not only make people more interested in a product, but also, truly, make them enjoy it more.

[Back to top ^^](#)

Advertisement

Advertisement

Your opinion could give you a chance to win **\$1000!**

Survey and chance to win provided by Safecount.net and Dynamic Logic.

TAKE A SURVEY

Start »

safecount.net

Classified ads

The NUS Asia-Pacific EMBA Chief Executive

Ranked Top 20 Worldwide (FT Ranking EMBA 2008)

Admission Requirements: Bachelor degree 10 years working experience

2009 intake will commence on June 20 in Singapore

Asset Protection Agency — HM Treasury

Salary £140,000

London UK

AFRICAN UNION

Request for proposals: Consultancy service on the study on the establishment of African Central Bank (ACB)

Procurement No: 08/PTU/09

Click [here](#) for details

UCL

Become a global health consultant

[MSc Global Health and Development](#)

[MSc International Child Health](#)

[Click here to participate in a brief survey](#)

AFRICAN UNION

Invitation for Tender for the Purchase of Electronic Voting – Audience Response System:

Click [here](#) for details.

Sponsor's feature

[About sponsorship](#)



Doctor Innovation: Shaking up the health system

Commissioned by Philips
PHILIPS