

Pricing and the brain: Hitting the spot | The Economist

Diversions Audio and video Audio and video library Audio edition The World In The World in 2010 The World in 2009 The World in 2007 The World in 2007 The World in 2006 The World in 2005 The World in 2004 Research tools

All research tools Articles by subject Economics A-Z Special reports 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 The Economist 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 »

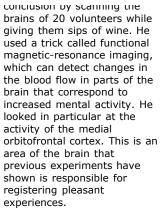
Classifieds and jobs

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



Dr Rangel gave his volunteers

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 highstatus 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 ^^

The Is

Want more? Subscribe to <u>The Economist</u> and get the week's most relevant news and analysis.