

[Why Expensive Wine Tastes Better](#)

Posted by Roger Dooley under [Neuromarketing](#) , [Neuroscience Research](#) , [Neuroeconomics](#)

For *Neuromarketing* readers, it's not big news that the perception of wine drinkers is altered by what they know about the wine (see [Wine and the Spillover Effect](#), for example). Now, researchers at Stanford and Caltech have demonstrated that people's brains experience more pleasure when they think they are drinking a \$45 wine instead of a \$5 bottle - even when it's the same stuff. The important aspect of these findings is that people aren't rationalizing on a survey, i.e., reporting that a wine tastes better because they know it's a lot more expensive. Rather, they are **actually experiencing a tastier wine**.

“What we document is that price is not just about inferences of quality, but it can actually affect real quality,” said Baba Shiv, a professor of marketing who co-authored a paper titled “Marketing Actions Can Modulate Neural Representations of Experienced Pleasantness,” published online Jan. 14 in the Proceedings of the National Academy of Sciences. “So, in essence, [price] is changing people's experiences with a product and, therefore, the outcomes from consuming this product.”

Shiv, an expert in how emotion affects decision-making, used functional magnetic resonance imaging (fMRI) to conduct the study with co-authors Hilke Plassmann, a former Stanford postdoctoral researcher; Antonio Rangel, a former Stanford economist; and psychologist John O'Doherty. (Both Plassmann and Rangel are now at Caltech.) Although researchers have used fMRI scans in recent years to gauge brain activity, the study is one of the first to test subjects as they swallow liquid—in this case, wine—through a pump attached to their mouths, a tricky complication because the scanner requires people to lie very still as it measures blood flow in the brain.

According to Shiv, a basic assumption in economics is that a person's “experienced pleasantness” (EP) from consuming a product depends only on its intrinsic properties and the individual's thirst. However, marketers try to influence this experience by changing a drink's external properties, such as its price. “This type of influence is valuable for companies, because EP serves as a learning signal that is used by the brain to guide future choices,” the paper says. Contrary to this basic assumption, several studies have shown that marketing can influence how people value goods. For example, Shiv has shown that people who paid a higher price for an energy drink, such as Red Bull, were able to solve more brain teasers than those who paid a discounted price for the same product. [From Stanford News Service, [Price changes way people experience wine, study finds](#) by Lisa Trei.]

Here's the conundrum for marketers... On one hand, we know that buying pain kicks in when people perceive that a product is overpriced, and that they are less likely to make a

purchase. Now, we have multiple studies showing that people enjoy a product more when they pay more for it. How should a marketer determine the price point?

I don't think these neural reactions to pricing are necessarily in conflict. If the wine drinkers in the Stanford/Caltech study had been sent to the supermarket and asked to pick up a bottle of wine on the way to the lab, they would have no doubt have felt the pain of paying too much for a bottle of wine and, unless they were wine aficionados, would in most cases have chosen a less costly bottle. (Other factors could influence the selection process, too. Would the researchers see the bottle chosen? If it was too cheap, would they think the subject was a wine ignoramus? Would blindly choosing a costly bottle make the subject look like a snob or spendthrift?) The pleasurable boost from a higher price occurs AFTER purchase and consumption, so marketers still face the same problem they always have: setting a price that consumers will accept and that will yield a suitable combination of profit margin and total revenue.

The Opportunity For Marketers

What this does suggest is that marketers need to understand that price is an important part of the experience for a premium product or luxury brand. This isn't huge news - we've seen once-proud brands destroyed by over-distribution and pervasive discounting. And it isn't even the price that the consumer pays - the subjects in the study didn't pay anything for the wine they tasted, but still found the expensive wine tasted better. **The consumer has to believe that a product is priced at a certain level for the brain effect to kick in.** If someone gives me a \$100 bottle of wine, I'll no doubt taste it as such. If I find the same bottle mispriced at the wine shop and buy it for \$10, it will still be a \$100 wine to me (and I'll have greatly reduced my buying pain as well). But, if I find a bin full of the wine priced at \$10 and marked "huge sale, save \$90 per bottle!" some skepticism will kick in. Did this vintage turn out poorly? Did the shop store a few cases next to the furnace and find they had gone bad? Was the wine simply not selling? I'm certain that these doubts would convince my brain that I wasn't really drinking a \$100 wine. And, if the wine was advertised with a "new low price" of \$10, my brain would be certain it didn't taste like a \$100 wine.

Forbes covered the findings in an article, [Study Spotlights Marketing's Impact on the Brain](#), and chose to include some neuro-alarmist rhetoric:

"Marketing can trump our senses," said Susan Linn, an instructor in psychiatry at Harvard Medical School and associate director of the Media Center of Judge Baker Children's Center. "Using medical equipment and medical technology to help marketers do their job better is very troubling."

I disagree - if a company can make my experience with their product more pleasurable in real terms, they are doing the right thing. Most consumers will have no problem in deciding whether the better taste (real or perceived) of a more costly bottle of wine justifies the difference in price. That's why [Two Buck Chuck has sold over 300 million bottles](#) to date, while \$50 bottles mostly gather dust on wine store shelves.

