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Wine and the Spillover Effect

Posted by Roger Dooley under Neuromarketing , Neuroscience Research

Would wine thought to be from California taste better than wine from North Dakota, even if it was poured from the same bottle? It's no surprise that the answer is "yes" - in Preschool Branding we described how even young children say branded food tastes better than identical unbranded items. For wine, California is a better brand than North Dakota. That's just the beginning, though. A post at the Box Wines blog, Wine Label Makes Food Taste Better, describes research that shows the apparent origin of the wine **affects the perception of a restaurant's food and even the probability that the customer will return.**

The experiment, conducted by Cornell professors Brian Wansink and Collin Payne, was fairly simple. A group of diners in an Illinois restaurant were served a free glass of Cabernet Sauvignon with the same fixed-price French dinner. All were told the wine came from Noah's Winery (a non-existent brand), but half were told the origin was California and the other half North Dakota. In fact, all of the wine was "Two Buck Chuck," a very inexpensive but brisk-selling wine from Charles Shaw Wines. Predictably, the "California" wine was rated as being better than the "North Dakota" wine. Here's the interesting part, though: the diners who received the free glass of California wine also rated the food higher, ate 11% more food, and were more likely to make a return reservation.

Lest one think the result a fluke, another experiment tested MBA students at a wine and cheese reception in a similar way. At that event, the subjects receiving the California wine rated the wine 85% higher and the cheese 50% higher. (From Fine as North Dakota wine.)

The simple message is that it sucks to be a North Dakota winery - even if you produce wine every bit as good as California or France, it will still taste worse to those who drink it. In fact, as little as one glass of the stuff will cast a pall over their entire dining experience. Ouch! (In fairness to North Dakota, the same results would likely have been obtained for any number of U.S. states or other countries not known for their superb wines.)

The more interesting aspect of the research, though, is the demonstrated **spillover effect**. In each case, the presumed characteristics of the wine affected the perception of the food; despite both wine and food being identical, a wine thought to be inferior made the food taste worse and the customer less likely to return.

This demonstrates the power of small variations in the customer experience to have unpredictable effects on satisfaction and sales. One wonders how the results might have varied under different experimental conditions:

- The server introduced the North Dakota wine with the addition, “It’s won several gold medals in European competitions, and received a 92 rating from Wine Spectator.”
- Rather than introducing different states of origin, the server uncorked a bottle for some diners and twisted off a screw cap for others.
- The server didn’t mention the origin, but highly praised the wine for some diners while simply pouring it for others.
- Some diners received a free glass of wine, while others didn’t (but couldn’t actually see they were getting short-changed).

It wouldn’t surprise me if all of these variations had some kind of effect on the perception of the food and the restaurant. Managers of restaurants and other kinds of retail environments need to realize that **tiny things done differently can have a big impact**. I can certainly imagine a restaurant operator reading about this study and thinking, “I’m giving the customers a free glass of wine, and they are complaining about where it’s from?” In fact, they aren’t saying a word, but their future actions tell the tale.

I’ve noticed that at the popular Olive Garden restaurant chain, servers often begin the meal with a small sample of Italian wine. This small taste doesn’t have the impact of providing a free glass of wine as was done in the Cornell experiment, but it sounds like good business in the context of their research results. I’d always assumed that the purpose of this sampling practice was to sell more wine, which it probably does. In addition, though, might not offering even a taste of Italian wine (an inexpensive house wine, but possessing the aura of its

Italian origin) have a positive effect on the perception of the food and ambiance? It's no doubt a bit challenging for a big U.S. restaurant chain to persuade customers that it's delivering an authentic Italian taste experience, and I think a bit of Italy from the wine might just rub off on the food.

Getting past wines, what other little details might affect the customer experience? Would Starbucks coffee make dessert taste better? Would quoting positive reviews and citing awards on a restaurant menu subconsciously convince people that their food tasted better? In a clothing store, might a very visible display of expensive designer brand clothing improve the perceived quality of nearby private label items? **If something as trivial as the state of origin of a free glass of wine can color an entire dining experience, it's clear there are no details too small to be ignored when creating a customer experience.**

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.