



—FIFTY—

Price Influences Perception

As consumers, we maintain an association between price and quality that lies deep within our minds. The bond is instinctive to the point that when we see something that seems cheaper than what we expect, the quality automatically comes into question. In short, we are hardwired to believe that the more expensive something is, the better it is. While this may not always prove to be true, research in multiple studies shows the difficulty consumers face in separating these two variables.

One of the best studies on price comes from wine tasting. Researchers at Stanford and CalTech collaborated to do a more formal version of the “brown bag” approach, where people try to guess which wines taste better before knowing the price of the bottle. These informal studies often surprise people because cheaper wines are commonly preferred over more expensive ones. In the formal research, subjects were asked to taste a pair of wines and told ahead of time the price, one costing \$10

per bottle and the other \$90. Not surprisingly, people preferred the more expensive one. They did it again with a different pair of wines, one at \$5 and the other at \$45. Again, the same outcome of preference favored the more expensive offering.

In each pair tasted, the wine was identical. In the first pair, the more expensive \$90 wine was poured in each glass. In the second pair, the cheaper \$5 wine was poured into both glasses. This result demonstrates the power that price has in influencing our perception of quality, especially when there are no other cues available.

What made this study more unique is that participants also had brain responses measured via functional MRI. In the seconds immediately following each sip, stimulation was greater in the area of the brain that registers pleasurable experiences. Indeed the medial Orbito-Frontal Cortex, (mOFC) showed significantly greater response when tasting the wine labeled as more expensive. When price labels were removed, participants consistently rated the least expensive wine as their favorite (just as in the brown bag studies). These findings further reinforce the power of pricing to influence perception, even beyond what some may call “snob appeal.”

Price can also impact perception after the fact, as illustrated in one study involving healthy consumers and a new fast-acting pain reliever. One group was told the new drug costs

**“ REMEMBER THAT THE PRICE
YOU CHARGE INFLUENCES THE
PERCEPTION PATIENTS HAVE
ABOUT YOUR QUALITY. ”**



\$2.50 per pill, while the other was told it had been marked down to 10 cents a pill. Participants in both groups were given light electrical shocks on the wrist to determine pain tolerance both before and after taking the pill. 85% of the full-price pill group reported less pain afterwards compared to 61% of the discount-price pill group. Considering that a sugar pill was given to both groups, the power of price perception helps explain the difference.

This type of research should help you understand how your patients view the fee schedule for your offerings. In some instances, they are going to go price shopping to see what other doctors charge for the procedure. In other cases, they may be comparing your fees to an internal reference point they have around price and what they think something should cost. Price is a surrogate for quality, especially when it's difficult to objectively judge quality. Always remember that the price you charge influences the perception patients have about your quality.

INFLUENCE OF PRICE ON WINE TASTING PREFERENCE

