

Inside the consumer mind: brain scans reveal choice mechanism

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That gorgeous sweater has your name written on it. But, those red suede pumps are calling your name too. What goes through your mind as you consider these choices? During normal economic times, you might indulge in a whole new wardrobe. But now, with considerably tighter budgets, consumers don't have the luxury of saying "It's the holidays -- I'll just buy both!" What happens in buyers' brains as they consider difficult choices? What can retailers do to make the choice process easier for consumers?

Akshay Rao, a marketing professor at the University of Minnesota's Carlson School of Management, has conducted research that shows that decision making is simplified when a consumer considers a third, less attractive option. For example, when a second, less desirable sweater is also considered in the situation above, the shopper could solve their conundrum by choosing the more attractive sweater. The less appealing sweater plays the role of a "decoy" that makes the other sweater appear more pleasing than before. "In some ways, it is quite straightforward," said Rao. "When a consumer is faced with a choice, the presence of a relatively unattractive option improves the choice share of the most similar, better item."

In their forthcoming *Journal of Marketing Research* article "Trade-off Aversion as an Explanation for the Attraction Effect: A functional Magnetic Resonance Imaging Study," Rao and co-author William Hedgcock (University of Iowa) explain the reasons for this decoy effect. Volunteers had their brains scanned while they made choices between

several sets of equally appealing options as well as choice sets that included a third, somewhat less attractive option. Overall, the presence of the extra, "just okay" possibility systematically increased preference for the better options. The fMRI scans showed that when making a choice between only two, equally preferred options; subjects tended to display irritation because of the difficulty of the choice process. The presence of the third option made the choice process easier and relatively more pleasurable.

"The technical evidence for our conclusion is quite clear, based on the imaging data," Rao said. "When considering three options, our "buyers" displayed a decrease in activation of the amygdala, an area of the brain associated with negative emotions. Seemingly, subjects were using simple heuristics -- short-cuts or decision rules -- rather than a more complex evaluation process, when they were evaluating three-item choice sets."

There are several practical implications of this research. Irrelevant alternatives are routinely encountered in a variety of settings including web-based travel and vacation markets, cable deals, cell phone plans and even newspaper circulars. In these markets, the addition of irrelevant options is a strategy that ought to reduce negative emotion. "Retailers interested in helping ease the pain of consumer decision making may introduce decoys, loss leaders, or other products similar to the ones they really want to market. It will make the focal product look more attractive," said Rao. "Plus, a frustrated customer struggling to choose between two equally attractive options may decide not to buy anything -- the introduction of a third option may be better for everyone."

Source: University of Minnesota

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