



More expensive medication may be more potent

“Marketing variables not only influence people’s perceptions and expectations, they actually influence the real efficacy of products such as medications.”

This is according to Ziv Carmon, INSEAD Professor of Marketing, who, along with Rebecca Waber and Dan Ariely from MIT and Baba Shiv from Stanford, tested the effect of price on the efficacy of a medication by administering electric shocks to those taking part in the study to test their resistance to pain.

Participants were told that they were testing a new painkiller similar to codeine with a faster onset time, but were actually given a placebo pill. Half of the participants were informed that the drug was priced at \$2.50 per pill, while the other half were informed that the drug had been discounted to \$0.10 per pill.

Following an established approach for studying pain, two sets of electric shocks were administered to the participants - one to establish pain threshold before taking the placebo, and one after. The result: those who consumed the more expensive placebo were able to handle more pain.

Commenting on the unusual nature of the experiment, Carmon notes that the pain inflicted was not severe, that the participants were all healthy and well compensated, and that they helped the researchers learn something very valuable that could be used to help people with very real needs.



Carmon says that based on all the research that they’ve done, not just the piece that instigated this interview, they have shown that all marketing mix variables - product, price, promotions and place - can influence the real efficacy (that is, the real quality) of the product.”

Other studies these researchers conducted have shown similar bias. For example, participants who were told that their energy drinks were more expensive were able to solve more puzzles requiring mental agility, and those taking branded cold medication recovered faster than those taking generic versions. This explains why expensive medical treatments continue to be more popular than inexpensive, widely-available alternatives. Carmon adds that this is very good news for companies such as those in the pharmaceutical industry.

Telling participants that the discount is due to

circumstances, such as discounts given to educational institutions, not due to poor quality, failed to mitigate the effect of price. However, “if you ask people explicitly ‘is price going to affect you?’ then the effect goes away. Unfortunately, people don’t spontaneously think that way, but we are looking into ways to mitigate it,” Carmon says.

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