

The Psychological Basis of “Pain of Paying”: Behavioral and fMRI Evidence

Recent research in behavioral decision making has illustrated the critical role hedonics play in an individual’s consumption decisions. For example, Prelec and Loewenstein (1998) suggested that when making purchase decisions, people experience competition between the anticipated pleasure derived from acquiring and consuming the product and the anticipated losses incurred not only from the money given up in the transaction (product price) and the hassle of executing the payment (transaction cost) but also from the “*pain of paying*”, the disutility derived from parting with money. It is the outcome of this hedonic competition that results in a consumer’s decision of whether or not to purchase. Interestingly, however, our understanding of the psychological basis of the “pain of paying” concept is still unclear.

The objective of this talk is to shed further light on the underlying psychological basis of “pain of paying” and to examine both its antecedents and consequences. In a first study, we used functional magnetic resonance imaging (fMRI) to examine how the human brain processes different types of costs during purchase decisions. Building upon previous research, we investigated whether the neural representation of costs differ between abstract costs (e.g. paying money) and somatosensory costs (e.g. tolerating electric shocks). Although we found that purchase decisions involving money and shocks were similar on a behavioral level, we found significant differences at a neural level. In three behavioral follow-up studies, we examined whether the pain of paying is experienced as a physical pain, psychological pain, or whether it is not experienced as a pain at all.

Short Bio:

Hilke Plassmann is an Assistant Professor in INSEAD’s Marketing Area, where she has built a Decision Neuroscience Group. Since 2009 she is an affiliated faculty at the Cognitive Neuroscience Laboratory INSERM U960 of the École Normale Supérieure, and the École des Neurosciences de Paris-Île-de-France. She was also on the faculty of the California Institute of Technology and Stanford University (non-professorial faculty) and has been visiting faculty at The Wharton School and the Stern School of Business.

Hilke’s primary research area is judgment and decision-making in the intersection of neuroscience, psychology and economics. In recent and current research projects she investigates the neural basis of different decision-making related value signals and ways to self-regulate these signals. Hilke is also interested in the influence of pricing, branding and health information on consumer decision making. Her work has implications for both, management and public policy.