

Episode 73: Interview: Rory Sutherland, author of *Alchemy*, on why irrational ideas work

MichaelAaron Flicker: [00:00:00] Welcome to a very special episode of Behavioral Science for Brands In a wide ranging conversation, Richard and I spent over two hours with Rory Sutherland, vice Chairman of Ogilvy UK, and founder of its behavioral science practice. Rory is one of our industry's most defining voices on the application of behavioral science and marketing.

Richard Shotton: It was a really great conversation and we covered a wide range of topics, everything from an exciting new idea from Rory about reverse benchmarking all the way through to the state of our industry and how we should grow brands in the future. We decided to deliver this as a single long form episode so you can go through it at your own pace.

MichaelAaron Flicker: Like always. You can find our show notes for this episode along with all of our other episodes online at the consumer behavior lab.com, and you can subscribe to our podcast anywhere you listen. We had a great time with this episode and we hope you all enjoy it too. Happy listening.

Welcome back to Behavioral [00:01:00] Science for Brands, a podcast where we bridge academics and practical marketing. Every other week we sit down and we look at some of the best behavioral science that's powering today's brands. I'm Michael Aaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: And today we're very glad to be sitting with Rory Southern Behavioral Scientist, vice Chairman of Ogilvy and author of *Alchemy*, one of Richard and I's favorite books, the *Magic of Original Thinking in a World of Mind Numbing Conformity*.

Let's get into it. Rory, welcome. Welcome to the show.

Rory Sutherland: Yeah, I'm not really a behavioral scientist. I describe myself as a behavioral science impresario. Impresario is that what I really liked about behavioral science, if I'm being absolutely candid, is not the science bit, it's the mischief making bit, which is that there's far too much certainty in the world

caused by over reliance on sort of narrow reductionist models of how things work.

People become very content with anything that just seems to make sense. And what I love is the ability to. Play [00:02:00] that gadfly role of going maybe, yeah, but maybe not. Or maybe the opposite is true. And what I loved about behavioral science is there seemed to be so many kind of confident decisions made on the basis of assumptions that weren't really empirically tested.

That probably wouldn't have made much sense to people who are of an entrepreneurial or marketing mindset, but were nonetheless confidently asserted simply 'cause they seem to make sense. And I've got a friend actually who worked for Ogilvy pr, brilliant man called Chris Graves, who you may know. And he spent part of his life in journalism.

And one of the mantras he adopted in journalism is just because it makes sense, doesn't mean it's true. And of course it's a good mantra for a journalist because someone is coming up with a plausible story to mislead you. And if that story makes sense, you are inclined to put a big tick beside it and walk away.

But actually, the sensible explanation isn't necessarily the real explanation.

MichaelAaron Flicker: And, that [00:03:00] insight is to say, just because it's easy doesn't make it right. And so to and to, and so to push to that next level is really, it's really a exciting part of the field. And you've spent a long time taking this and applying it to marketing specifically.

Rory Sutherland: I think, I think what's really important is that, I mean, the concept of the econ, which I think is Richard Taylor's invention, in other words, this strange species that doesn't exist in the wild but is only found inhabiting economic models. Yes. That was a really, really useful concept. 'cause you suddenly realize that we are designing the world for econs, not for humans.

And that's, that involves a massive mystery. Yeah. I mean, at best maybe, I mean, it can be worse, but at best it's just a massive misdirection of effort. And it always interests me because actually really successful technologies really succeed because someone's managed to find an interface that's designed around human perception.

An emotion [00:04:00] rather than an interface that is optimal in some, I mean, I don't think anybody's yet been the Steve Jobs of ai. I think a lot of nerdy people have improved it in one dimension in terms of sort of all kinds of artificial

metrics. But nobody's asking the, I mean, the lesson most tech is that loads of nerdy people compete for years and years and years.

Then someone comes along with a cute user interface and makes all the money. Yeah. I mean, that was basically, you know, that was Facebook. Okay. Yeah, absolutely. Yeah. I mean, I, Facebook bothers me because we, in the advertising industry have given literally a trillion to this company, which hasn't had a second idea.

MichaelAaron Flicker: Yeah.

Rory Sutherland: Okay. I mean, if you've given me Mark Zuckerberg's money, I think by now I would've launched a decent craft beer brand or, you know, a chain of cafes. Just something from crying out loud. Have a second idea of art. Right. You know, say what you like about Elon. Right. You know, he has, you know, there's a hell of a lot you can say about Elon.

He has got approval of a record of innovating more than once. But actually, you know quite often, you know, [00:05:00] whether this is good or bad is another question. The person who cracks the interface and the experience is the person who, ultimately cleans up. And we are not spending enough time looking for what do we want to interact with and how, so , I got a lot of people in AI saying, what you'll do is you'll say, I wanna buy a toaster, and it'll show you the perfect toaster.

Okay. Based on its knowledge of you and its infinite knowledge of the world of toasters. Toasters. Okay. And you can, but actually estate agents know you never show people one house. I. Right, because we can't really choose unless we have a frame of reference or a comparison point. So what I probably want the AI to do in the world of toasters is show me four toasters with relative strengths and weaknesses.

And a fifth toaster, that's a bit of a wild card. That could be an air fryer. Okay. And then I might be able to make a choice from those five. But dating sites, whatever it is, we fundamentally need a frame of reference before we can actually make a decision. And that's the classic case where I think people who are logical don't really understand human [00:06:00] psychology very well.

MichaelAaron Flicker: Yes. And if we are toaster makers, if we are a toaster brand, we want to put an expensive toaster first so that way everybody anchors to that more expensive toaster. So also who's designing the AI

Rory Sutherland: and, and, and is it advertising funded because the inshittification of everything? Yeah. I mean, there is a website I really recommend, which I, I occasionally talk to them.

KAGI cgi.com. Okay. Which is a pay to use search engine, meta search engine. And it's like search used to be 15 years ago where when you search for a hotel, the first search result is the hotel with its phone number and the address. Okay. What you want rather than 17 other hotels that are trying to actually attract your business, combined with 15 effectively online travel agents who aren't remotely interested in actually putting you in touch with that hotel directly.

Right. What they want you to do is book through them. You know, we, we've gotta be concerned about this, that we could end up basically creating an economy [00:07:00] where effectively we just have AI is playing chess with each other. Yes. At an immense energy cost and act and effectively getting us nowhere.

MichaelAaron Flicker: Is that related to AI ethics in your mind?

Meaning there's big capital B concerns about AI ethics, but then I would say this is a commercial concern with AI ethics, which is you could spend a lot of energy cost, you could spend a lot of computing power and not end with a better product.

Rory Sutherland: And also where you have a problem, which I don't think we've been alert to enough in advertising, because the reputation of media owners previously took care of that which is that the dishonest actor in a market will have more funds to play with than the honest actor.

Mm-hmm. So the story I tell about that is I, I had COVID, I was stuck in a French hotel room. I wasn't on my A game, but I had to buy one of those Canadian Esther equivalents. Okay, now you go on Google. Sorry Google, but the top results should be the Canadian government. [00:08:00] Okay. The Canadian government charges you 14 Canadian dollars for that kind of it's a visa waiver thing.

MichaelAaron Flicker: I see, I see. Got it.

Rory Sutherland: I dunno why we have to, as Brits, we have to pay this. I mean, we gave them a fucking country on a plate.

MichaelAaron Flicker: They forgot that.

Rory Sutherland: Yeah. They said I'm grateful. But nonetheless, nonetheless, we gave half a consonant on a plate, but nonetheless they charged us \$14. But there are lots of dishonest actors.

They're not wholly dishonest. Not a total scam. Yeah. If you try and sell Bitcoin, you'll come across total scam merchants. Here, they'll charge you 60 Canadian dollars. You still get your Canadian CTA, I think it's called Canadian Travelers Advisory or whatever. You still get it, but you've paid \$60 rather than 14.

And of course the people making money that way are out bidding the great government of Canada. Your 51st state.

MichaelAaron Flicker: Yes.

Rory Sutherland: Making that for my attention.

MichaelAaron Flicker: Yes.

Rory Sutherland: So you will have a problem unless you have some sort of ethics applied, you'll simply have a problem that in any field, the Dodger actors have more cash to play with than the people who are playing straight.

MichaelAaron Flicker: Or at [00:09:00] least those with the highest margins, whether they're dodgy or not. Yeah, yeah,

Rory Sutherland: absolutely. Right.

Yeah. So I mean, this is an interesting problem, which I think besets online advertising, and I keep arguing about this, saying that I barely ever see any advertisements for Unilever or Procter and Gamble brands that might be, 'cause I'm male and they're still stuck in the 19th century looking for female audiences, which is not impossible.

Okay? But I do all the shopping for that stuff. My wife's stingy you know, shed buy the actual midrange, dishwasher, tablet responsibly. She do that in there, whereas I go, look, it's called Finish Quantum Uber Pro, I've gotta buy those. Right? You know, it's got four compartments in the tablet rather than, so I'm a sucker to marketing and my wife is, unfortunately, she used to work in procurement.

It's tragic. But but anyway, I don't see any ads for those things. And it occurs to me they're low margin, frequent purchase, low attribution. Okay? And also, they're not really an impulse buy, so you can't argue that the advertising is actually driving [00:10:00] incremental sales, right? So you've got those four factors that make it hard to justify advertising.

I, I call this the Walford paradox, which is a bit weird. When my daughters were in school, they had a school uniform policy that required them to wear black tights. And they kept ladder-ing the bloody things. And so a friend of my wife said, actually, it seems crazy, but expensive tights probably work because they, you know, they cost an insane amount of money.

They're 20 quid a pair, but they do last five times as long. And also because they're expensive, your daughters will probably take a bit better care of them, right? It's a bit like the psychology of umbrellas. You either buy a five pound umbrella or a 200 pound umbrella. One, you don't care if you lose it.

The other one, you're so nervous about it, you never lose it. Don't buy a 50 pound umbrella. This is, by the way, the opposite of a good idea is another good idea. It's a good idea, by the way now. What I noticed, I, I went online to the Walford site. Now I dunno what their margins are, but it's gonna be whack, it's gonna be proper whack, right?

Yeah. Yeah. I mean, a lot of it's marketing cost anyway. [00:11:00] It's, you know, fantastic brand. Very, very good product. I'm not, by the way, this did work. It made sense. It's a good move to buy ladies. Okay? It's a good move to buy expensive hosiery. But what I noticed is I bought direct bought direct, I think they sent them by FedEx, so presumably they got a bit of margin okay.

From Austria or somewhere. And what I noticed is for the next few months, I got advertising for nothing else. Okay. And then I suddenly realized, okay, I'm in a niche group and that I buy direct. When people buy direct from them, their margins are insane compared to selling through retailers. It's kind of an impulse buy.

It's very high attribution. So all of those things make it very, very easy to justify ad spend for that category versus say, finished dishwasher tablets, which are my, you know, other extravagance of the month. And so the ease of, at, so what what I'm saying is that people in a, in an ecosystem, an advertising ecosystem, which is working.

We're obviously gonna see more advertising for luxury [00:12:00] premium goods than we are for mainstream goods. You know, that's just how it goes. We might see a lot of advertising for things which are what you might call subscriptions to things, because the lifetime value of a customer is, they're very, very high.

Okay. But in a really good advertising ecosystem, which I think was basically the analog advertising ecosystem, what I saw ads for was vaguely commensurate with where I spent my money. Mm. Okay. You know, it was very far from perfect. You know, I saw ads for jewelry and I never bought any, you know yet. Okay.

I'm not saying it was perfect, but I think what we're seeing online now is a complete disconnect between where value lies in the economy and where attention is directed, which is caused by those kind of distorting asymmetries in, you know, how we justify ad spend, effectively

Michael Aaron Flicker: understood

Rory Sutherland: How we justify.

Does that make sense? 'cause you are a media guy, Richard. Yeah, I think, I think this might be a, it's its quantification bias at some level. Yeah. But it's [00:13:00] also high margin things. Effectively they could argue that they could afford to spend 30 pounds on me. Okay. Me as an individual, and if I only bought two extra pairs of Walford thing thingy Bobs, you know, three months later, they were still quids in.

Okay. It's impossible for finished dishwasher tablets to do the same thing you do.

Richard Shotton: I think there's always this danger that whenever you are measuring something, you don't measure every element. I. And therefore the areas that are disproportionately likely to be captured that can be quantified, then suddenly loom large in people's decisions.

And actually there are certain things which are important,

Rory Sutherland: which can't be quantified. Yes. Yes. So I'll give you a lovely example of this. You can quantify them only in a free market where consumers are free to spend their money as they like. Now there's a form of transportation. Have either of you that used Heathrow Pond parking?

No. No, no. So you park about a mile from Heathrow Terminal five. I can't believe you haven't done this. No. Well, it's absolutely tragic. Okay. And you park, [00:14:00] and then you park your car and you wheel your luggage to a little pod, which is personal. You don't share it with, unless there's massive demand, you don't share it.

And you, you've got car one end of the carpark. The other end of the carpark is served by effectively separate stations. And then if you're perverse, you ask to go to the other end of the carpark just for the lulls. But basically you ask to go to terminal five and this little pod opens its doors. They're autonomous electric things that don't run on tracks, but they run on wheels.

But there's a kind of specially made roadway. So there's no driver, no driver. They seat six with a lot of luggage and it scuttles off on its own. And they do little intelligent things. So when you arrive, a pod will get out of it the way, go off and charge itself to free up space for your own pod to dock at Heathrow Terminal five.

And it occurred to me that this is a brilliant form of transportation for all kinds of reasons. In other words, it's not hub and spoke like most mass transit. You could actually create a complex network and it could take you not from [00:15:00] A to B. It could take you from A to B to A to Z, A to Y, A to Z, G, whatever.

Okay? So you could literally have a road network replicated in a driverless pod system, very, very cheap to build the actual infrastructure compared to building rails. Okay? Why hasn't it taken off? And my argument is that probably when procurement set a brief set against a shuttle bus, this thing doesn't score very highly.

And they've got in mind a shuttle bus. What procurement wants is three comparable shuttle bus operators to bid for the route so they can compare apples for apples comparison, compare them on price. And that actually is directly inimical to innovation because most innovations, electric cars being interesting case are actually worse on one dimension.

Okay? But they're a lot better on, on some a, some some existing dimensions, but also on dimensions that you weren't even factoring in. Now, the really interesting thing economically with the Heathrow pod is that the price of [00:16:00] parking in the PO parking is usually only a few pounds less than the price of the short stay.

And the real reason is people love going on the pod. Okay? But enjoyment, which is, I hate a shuttle bus. I love the pod, is not a factor that's in any transport planners matrix of decision making. Now, I had a colleague who created Director Oglevy, and he used to drive in his Jan down to Heathrow Pod parking.

And on a couple of occasions they say, I'm terribly sorry Mr. Smith, but the pod parking's completely full. So we've upgraded you no extra cost to the short stay parking, which is vastly more expensive real estate right next to the terminal. And he just looked childishly, downcast and go, but I wanted to write a po.

Okay? Now, so I'll give you the classic example where procurement wouldn't have allowed an innovation to happen, which happened in consumer in, in, in the B, in the B2C world, the original iPhone had the shittiest battery [00:17:00] life. You can, we've forgotten this, okay? But the first iteration of the iPhone, basically you have to take a charger to work with you, okay?

It was never gonna make it through the day. Now, anybody who'd set up a standard list of procurement balance scorecards would've made one of the requirements a 20 hour battery life. Alright? Okay. That, you know, because Nokia, you know Blackberry, they all had 20, 24, 36 hour battery life. And the iPod would've failed at the first procurement hurdle because the battery life of the first iPhone, the battery life of the first iPhone was a fucking, a combination.

Right? People loved all the other facets. Basically the usability and the attractiveness, the emotional facets so much. They were totally prepared to do a workaround for the for the battery life.

MichaelAaron Flicker: They would forgive that life.

Rory Sutherland: They'd buy a case with a huge, great charger built in, or they'd carry one of those charging bricks.

Yep. Or they'd just go into the office as soon as they got in, because, you know, the thing was hard. 30% off your trade journey, they'd plug the bloody thing into their desk. [00:18:00] You see? And so most innovation involves basically the discovery of value in an area that's been under quantified before. And I've actually got a theory about this, which I think is an exercise that everybody can steal, which I call reverse benchmarking.

Mm-hmm. Now I've nicked it. I've not the name I've named it. Yeah. 'cause you've got name it. Because otherwise you can't, you know. Yeah. We all know

that if the, the, the most greatest economic value in the last three years has been created by the person who came up with the phrase loaded fries. Right.

Because everybody loves chips with tasty shit on top of them. But until they had a name in Canada, you call them poutine, right? Yeah. Yes. And the Canadians eat, ate, they basically eat nothing else, you know, apart from maple syrup. Right. And the thing is, until you had a name for loaded fries, you couldn't sell them.

Okay. You can't, you can't have a menu that says chips with shit on top of them. What the hell's, you know what, what? What's going on there? They had cheesy fries admittedly. And you had cheesy jalapeno fries and then the final flourishing, but the reverse [00:19:00] benchmarking, I'm gonna tell this story again. Will Gudara fantastic book.

I'm reasonable. Reason F from

MichaelAaron Flicker: 11 Madison Park.

Rory Sutherland: He takes, he goes from 11 Madison Park when they're number 50 in 2011, and the World Restaurant Awards sponsored by San Pellegrino. And he wants to get to number one. Personally, I'm a satisfier. I aim to get to number seven, but Will's not like me. He wants to get to number one.

And he takes everybody a cross section of his team to the number one restaurant, which is also three star Michelin gaff in New York. And all his colleagues are jotting down things they do really well. And at the end of the meal, they're all going, we ought to copy this thing with the napkins. We ought to do that thing with the bathroom.

And he goes, no, I don't do that stuff. 'cause they're already doing it. Well, I wanna know, and this requires an act of imagination sometimes, or at least an act of curiosity and imagination. What's a, what was a bit disappointing? Two things. Do you remember what it was? I think it was the coffee, wasn't it?

Yeah, coffee and the beer, yeah. Yeah. So the beer drinkers got really short shrift compared to the wine drinkers, and the coffee was nothing special. So he has, in his [00:20:00] team, there's a coffee obsessive and there's a beer obsessive, I think the beer obsessive was a chef. He says, from now on, you are the beer sommelier and you're gonna bring out a beer menu and you're gonna suggest food pairings to beer drinkers.

And the coffee sommelier is there, presumably talking about single origin, bloody roasts and stuff.

Richard Shotton: That, that whole book to me is a, an amazing example of someone who isn't behavioral scientist. He never mentions psychology. All

Rory Sutherland: s

Richard Shotton: but, but a behavioral scientist. Yeah, but, well, I've, he's, it's not like a,

Rory Sutherland: the food industry, QSR is the same.

It's a fast feedback business. Yes. So you learn it's not, you know, learn really, really quickly and observing,

Richard Shotton: not from studying paper. So you work in a restaurant shop, it's free, MBA basically. But the one I really liked was he talks about their wine flight. So you go to 11 Madison Park, it's \$200 say for wine pairing.

And he would say, well, if you're a restaurant, if that's \$40 per wine, everyone's paying, they pay a fixed [00:21:00] \$200 in total. We'd spend about \$20 an average per wine. And what he said most restaurants would do, even Michelin Star runs, it'd be the first one would cost the restaurant \$20. The second one would cost the restaurant \$20, the third, the fourth, or fifth.

What he said to his somelier was, look, just shave off a few pounds from that first one. Maybe give him a \$15 wine, then another \$15 and you've saved enough money that the final one, you can spend 50 or \$60. So like Jesus, well, you leave like Jesus best one. The last I thinking more a mind, but it is. It's absolutely the peak end rule.

Yeah, that's right. Don't do everything quite well. Have one absolute stand moment, a standout moment, and then put that standout moment absolutely at the end. And that whole book is just full of these descriptions about how he created an amazing experience by taking a principle. Behavioral science

Rory Sutherland: don't optimize for average.

And that's actually, I don't know if you know Gary Stevenson, Gary's economics. Oh, I've never met him about, yeah. Yeah. But one of his really, really, I don't agree with him on everything. Yeah. Also, he could help the

[00:22:00] economy by actually spending some fucking money on consumer goods rather than using the, wearing the same pair of shoes to work.

If for Christ's sake, Gary, get down to JD Sports, you know, spruce yourself up, you know, help us out. Right. But he's absolutely right in saying that all economic models rely on a single representative agent. So you optimi you, you treat the average as if it's representative of the whole. And I think that, I think that idea with the wine flight, you could actually, you could actually end on actually a really cracking dessert wine would be a fantastic thing to end

Richard Shotton: wine.

Well he, well he, he says like, you would give someone a wrong PR burgundy where they would be absolutely flat carrot. I'm bri they, they, they,

Rory Sutherland: let's have a

Richard Shotton: problem.

Rory Sutherland: The

Richard Shotton: Americans, they bloody burgundy. Something would never expect. And it's not costing the business a single penny more. No. But by changing that allocation of funds, you end up getting mean

Rory Sutherland: if I ran British airways, I'd shave money off the dinner and the tea, Okay.

Off the, off the lunch and the dinner. Okay. [00:23:00] We are Brits, right. We're not very good at that stuff. But tea and breakfast, we hit it out of the park. So I'd actually, if I were British Airways, I'd actually have tea and a pot. Okay. In business class?

Richard Shotton: Yeah. Or, or, or as you said, optimized to something that it's optimizing for.

It's a surprise. Yeah. It's optimi. I mean, this is, you give them a nice lolly. I mean, ice lollies is the world's best ice. Lo it probably cost 10

Rory Sutherland: that the virgin did that, didn't they? They handed out Cho ices Yeah. During the film. And that was what everybody remembers. So they

were unusual in having in-flight entertainment, in seat back in-flight entertainment in nineties.

In economy class.

MichaelAaron Flicker: Yes. Yes.

Rory Sutherland: Okay. And then actually this is a bit interesting because Americans were completely confused by this because the chalk ice cinema connection

MichaelAaron Flicker: Yes.

Rory Sutherland: Is a totally British thing.

MichaelAaron Flicker: I wouldn't know it. I don't know it.

Rory Sutherland: It's exactly the same. We were talking earlier about the Hendrix Cucumber.

Yes. Where the Americans are making a joke at our expense. Yes. But we're completely blind to it. 'cause we don't find cucumbers. Inherently comedic

MichaelAaron Flicker: cucumber sandwiches is not cucu funny to you. Cucu. No,

Rory Sutherland: it's [00:24:00] a perfectly good sandwich. You need a bit of pepper and salt, but it's a perfectly service. It is not an object of ridicule.

MichaelAaron Flicker: Okay. It here.

Rory Sutherland: So I didn't realize that Hendricks were basically criticizing themselves in the United States, but were putting this slice of cucumber in 'cause of course, to us it's, it's a cucumber. There's nothing British about cucumber. But of course, to Americans, it was incredibly, and the choice, of course, was completely confusing to American passengers on Virgin Atlantic.

But everybody in Britain at that time, who'd gone to the cinema in the 1970s. That people came around selling chalk ices at the cinema. So the idea was popcorn would've been the American Yes, correct. The American equivalent.

Okay, interesting. Which we now have adopted for no readily apparent reason. Yeah, like, like Halloween and yeah, school shootings

Richard Shotton: that, that Hendricks are trying to play on us.

I think that's responsible for its success because with virtually every other gin. Purchase of the gin once you've walked away from the bar is, is completely invisible. But if you do a distinctive serve, like over [00:25:00] cucumber, everyone knows you're drinking Hendrix and then you are using social proof. You know, even if 5% of the gin drinkers are having Hendrix, it looks,

Rory Sutherland: but that's optimizing for visibility.

Guinness know that if there's someone visibly drinking Guinness, of course drinking Guinness is very visible. 'cause it's black for God's sake. Yes. Yeah. It was actually invented in Wales, not in Ireland. I'll just make that claim just to really, really annoy everybody. But there is actually, I can see that's actually a well drink which the Irish stole.

It's

Michael Aaron Flicker: dangerous.

Rory Sutherland: Okay. No, no. But cider, ice cider, it made it obvious you're drinking cider. So it was a visual prompt and a bit of social proof because that was an era when people didn't have branded glasses and cider people thought you're drinking la laga. And cider I think is a problematic drink because like talking to the Unilever people on ice cream, you've gotta recreate your market every year, roughly speaking because cider is for mo.

I mean, unless you're a west country farmer cider is mostly a summer drink like [00:26:00] pims. Okay. And there have been attempts to obviously spice it up and create winter variants, but it's more of a, so actually you actually need a kind of nudge every May or June in the UK to add reintroduce cider to your repertoire of alcoholic beverages.

And so the interesting thing there is when I think about reverse benchmarking is that, hmm. We noted. So all these McKinsey people come in and they benchmark you against your competitors. Roger L. Martin do you know? No, I, I think he's the best business writer. Best strategy writer going, he's like the air to Peter Drucker.

He's coming to Nudge Stock on June the 27th. Tickets now available. Okay. And he, he's written a piece on Medium called Benchmarking is for Losers. He fundamentally thinks that what you're doing is that you're getting involved in a race to the bottom by comparing yourself not differentiating yourself from your competition, but by effectively entering red water space where you're competing head to head.

Now, one of the greatest quotes of all time, I think it is [00:27:00] the great guy at London Business School, whose ridiculous name I've, I've Jules Godard, professor Jules Godard, who said, strategy is the art of staying one step ahead of the need to be efficient. That if you're competing on operational efficiency, you are already out of the game.

You know, if you've got nothing else commoditized right, you, you're just commoditized as useless. Okay? And so. The argument o of reverse benchmarking is that don't do what exactly, what will Gadara did? Don't say, what do they do? Well, we'll do the same thing. Yeah. Okay. Instead say, what are they doing slightly badly?

Or where is there un effectively unserved space for value creation? And let's go and hit it outta the park. And I think you could make the case that 90% of innovations emerged from exactly this phenomenon. So Apple is loads of nerds competing for technological superiority. Apple goes, yes, but why does it have to be so ugly and, and, and difficult to use?

So what? So, [00:28:00] so that was a non, non-numerical space is a ripe for innovation because nobody's measuring them. So no one's benchmarking them. 'cause you can't, you can't put a figure on apple's loveliness. I mean, I'm an Android user by the way, but I'm, but I nonetheless acknowledge some of what they did. Yeah.

Okay. Now you could look at a lot of businesses and say the really disruptive thing they did was to double down on something that was everybody else had neglected. Yeah. Okay. It's effectively a kind of side bet. And I was talking about this last night and my colleague Anoni caches, came up with this fantastic example of reverse benchmarking, which I'm not familiar with those stuff.

Brazilian Juujitsu, have you come across this? So this Brazilian guy wanted to invent a new martial arts. Okay. I dunno anything about this stuff. Okay. But it. Basically, given that martial arts have been kicking around for thousands of years, most forms of fighting have already been [00:29:00] optimized within

some sort of martial art or codified to an extent where there isn't much space for a new martial art.

He said, hold on a second. Every other martial arts assumes you're standing up because once you're lying down, it's game over or you've lost. What we need to create is a martial art for how you fight when you're on the ground, not when you're standing up. And that was the unexplored space. That was the reverse benchmark.

Yeah. So smart. And so it's, did you know anything about that? No. That was, again, we are not probably the, I have a

Richard Shotton: very strange image now in my head. Yeah, yeah. But it, but it is, that is around the floor, but that is how

MichaelAaron Flicker: Brazilian jiu-jitsu is competed and how you watch it Yeah. On the ground. That is right.

Rory Sutherland: Yeah. So it's, it, it's, and often the unexplored space is

Richard Shotton: unexplored because it's unquantified. Yeah. So you've talked about Apple as an Brazilian jiu-jitsu, as examples of people who've used that process. Is there a Cashie hotel? Moie hotel. I was gonna say there, you

Rory Sutherland: optimized for the grand floor. You the room.

Now, by the way, I'm gonna be very clear about this. What, [00:30:00] what will g did not say is we'll make everything shit, but we'll have the best beer and coffee in Manhattan. Okay? You've gotta be kind of in, in the zone in terms of, and the Moxie hotel rooms aren't crap. They've got a very good tv. They've got good wifi.

The bed's comfy. Okay? But there's no room service. There's no laundry service. And, and the locations are good, by the way. It's not just the grand floor, but they're in constrained good locations where real estate is a bit more expensive. So making the rooms all a bit smaller. And let's face it, you're only there one or two nights.

Okay? But on the ground floor, you have 24 hour barista serving really good coffee. It's a space where you can chill out. You can actually just go, and actually, they gave it to me for free. It was great advance being Maori famous,

but you could rent a little meeting room, you can do video calls, you can hang out with your laptop, you can meet friends.

So you actually have access to this kind of de facto club for the whole duration of your state, even after you've checked out. And so moxie is a really, really good example of effectively most innovations [00:31:00] are actually a sort of appeal to the rational mind or the procurement mind is a defamation of.

What they're looking for. But actually the reason it's it's a defamation is because it's effectively flowed into the space that's as yet unoccupied. Yeah. Yeah.

MichaelAaron Flicker: And, and almost that would be the ra that would be the understandable outcome of procurement trying to drive the best price for the outcome that they've identified and innovation.

They, they define

Rory Sutherland: room size as a metric. Now, room size is not irrelevant if you're in a country house hotel and you're staying for a week. Okay. Or, you know, or if you've got kids. Yep. I mean, actually, I, I, I plug Moie and it occurs to me, there are people at the Marriott group going, Jesus, why does this 58-year-old man keep having to praise our hotel, which is targeted in like, cool young people?

You know, why do we have to have this old fart visiting around in the Jeremy Fox effect? Yeah. It was rather like, I can't remember who it was, but it was someone who's someone journalism who, whose father [00:32:00] covered over the Nike logos on his shoes. He got old enough where he had to use, he had to use federally trainers because his feet hurt.

And he actually put tape over the Nike logo because he said, I don't see why my feet should advertise somebody. And his daughter said, dad, you are an 83-year-old academic. Nike would actually pay you to cover up. Please hide it. Please, please, please obscure these Leeds. But, but the moxie thing, I mean there's another example that rush the hairdressing chain when they open a new salon.

Actually, the, the toilets thing is really interesting. So there are, in, in about three different countries, there are three players who've really succeeded at the gas station market. There's one in Turkey, bizarrely, a Turkish gas station chain founded by a husband and wife who are previously teachers. I have no idea how that pivot happens.

Okay. There's another one called [00:33:00] I think it's called, is it called Chucky's in Texas?

MichaelAaron Flicker: Bucky Bucky. Bucky Bucky's. Bucky's.

Rory Sutherland: Bucky's, thank you. That's which has a huge Beaver. Bucky's is the, yes. Bucky.

MichaelAaron Flicker: Bucky The Beaver. Yeah. Bucky the Beaver. I've actually

Rory Sutherland: got some of their branded merch. Yes.

Tragically. Yeah. I I've got a Bucky's Hawaiian shirt. It's very American of you. No, no, no, no, no. But, but it, they have, they make this huge feature of selling Dear Corn. What's all that about? That I don't know. No. Okay. Yeah. But anyway, but the, the toilets they make their toilets the hero, the, the Turkish chain does the same, okay?

And what rush do is when they open a new hairdressing salon, they spend 30 grand on the loose. And a lot of people go, well, why are you spending all that money? Most people don't even go to the toilet while they're having their hair cut. Well serve them enough free coffee, and you can make sure they go.

But they said, no, no. The point is, we're optimizing for surprise. We're not optimizing for predictability because everybody who asked to use the loo, the 10% are expecting mop buckets, storage of cleaning products, you know, a load of hair products stacked up against the [00:34:00] wall, and you're pissing somewhere where, you know, which is, you know, that business in five star hotels where you mistakenly go through the staff only door and everything turns into like, you know, a slum, you know, in the space of one door.

You know, because this is now where the staff go, not where the guests go. And they deliberately go against that by making it bel. So it's sort of gold taps and so forth. Big shout out actually to Kisa in Seven Oaks Indian restaurant for doing exactly the same thing. Indian Re fantastic Indian restaurant in Seven Oaks, by the way, folks, Q-I-S-S-A I, I always think I'm starting the principle, by the way, that podcast guests should be allowed to advertise.

MichaelAaron Flicker: I, well, we're feeling that because you are gonna,

Rory Sutherland: you are gonna break into a bloody space where you start talking about VPNs any, any minute now. So I thought I preempt you.

But, but I think this high, hold on now. I think the, the brain science behind it comes from that book, which you, you must know, which [00:35:00] is the Experience Machine by Andy Clark.

Richard Shotton: Oh,

Rory Sutherland: cio. Oh. Most of what we perceive is actually a prediction and that we only use our limited back bandwidth in our optic nerves and our ears to correct for prediction error.

So it's exactly the same architecture model as used in EGS and JPEGs. You need very little data when the pixel's basically conforming to the expected value and you only use the data where the pixel is unexpected. Either it's different to the preceding pixel in the case of an EG or the adjacent one.

And it's a, that's, that's why I mean, if you ever shoot digitally in raw mode, okay. Every pixel's individually described very good for photo editing. The files are sorting enormous.

MichaelAaron Flicker: Yeah.

Rory Sutherland: I mean, I used to have a professional photography who lived near me in deal, and you'd have to come and borrow my HighSpeed broadband when he needed to upload raw mode photos and by parking outside the house.

'cause it just took too long to send them over his. And the point is, the brain has come up with exactly the same model for [00:36:00] understanding and interacting in the world where we, we direct our attention to what's surprising. Not what's expected. And consequently, the way to achieve emotional effects in a customer is the DoubleTree cookies.

But not by actually matching at people on their, you know, your balance scorecard of, you know, service agreement levels. It's by doing something out there where people go, what the hell's that about? Whoa. Okay. And I think that business of designing for pleasant surprise, I mean, I go even further, actually, I was talking last night to somebody who just read this, the first book by Kurt vga, which is about a world where everything's perfect, but everybody's miserable.

Everybody has everything they want. And I said, the problem with such a world actually is we wouldn't be very happy 'cause there were no pleasant surprises. It's a bit like Singapore, where if their, if their subway train is three minutes late, they all go into a total meltdown state. You know, if you give people something that's too nice and they're no pleasant surprises, actually [00:37:00] that doesn't get that, that's not actually that nice

Richard Shotton: and environment for us.

I think that's L links back to that idea of the hedonic treadmill. So I think the original study's been criticized, but it was the Brickman study where he finds people who've won a reasonable rig lottery or they've been a car accident and there've been life changing industry injuries, and to begin with, their happiness is miles apart lottery person.

Much happier. It keeps on contact to 'em and over time they come almost the same level

Rory Sutherland: of happening. 'cause your expectation level and actually it's comparison to expectation, which is the determin. Yeah. You, you

Richard Shotton: are habituating, you know, however good or bad something is that, that enjoyment or, or, or dislike of it eases over time.

And

Rory Sutherland: Paul Doan puts it very well, which is, he said everything's a bit like heroin in the sense that you need more and more of it to replicate the initial effect. Probably true of wealth to a degree.

Richard Shotton: Yes. So the clever brand. [00:38:00] We've talked about this with pumpkin spice latte is you, you have it a time limit.

You don't let people habituate to it. You know, pumpkin spice latte, it's available for a month or two and before people are satiate, before they're bored, you remove it and then when it comes back next year, there's a genuine level give spice latte. Yeah.

Rory Sutherland: Whereas if

Richard Shotton: they've sold, of course that's a

Rory Sutherland: beautiful counterintuitive thing because no economist would, would get the logic of the Cadbury's cream egg.

Exactly. Exactly. Yes. No economist. I always remember talking to Jeremy Bullmore about after eight mins. Yeah, okay. Which gives them a very specific, I don't, they, they're an after dinner thing, which in, in the seventies and eighties, they're still currently, they're still very nice actually. But every, every, every finance person would've wanted the people to call them all day mints.

Ah, yes. Because only after eight. Whereas the idea was you handed around after dinner and then you ruled around a lot of empty envelopes from which the mints had already been removed. And eventually you found a, an envelope with a mint in it, which gave you a pleasant surprise. But no, I think, I think that question by the way, [00:39:00] I always recommend, and I'm just doing another plug.

That's why you should go on holiday to Wales because you don't expect that much from Wales. But actually it's surprisingly good. That's the slogan for Wales is actually what you'll do is you'll be in some fairly unprepossessing place in Wales and you'll just discover there's a cafe. That's fantastic.

Or a, you know, something just you weren't expecting. Just, that's why I always say actually always rent a car when you're on holiday. Mm. Because you, it enables you to have lucky accidents. Yeah. Or do the thing, which is you go for a random walk on the basis that you can always Uber at home if it goes wrong.

But optimize, and this is actually one of the, I think one of the greatest problems we're suffering in business is people are optimizing for attribution and efficiency rather than optimizing for opportunity fundamentally. You know, I genuinely think philosophically in everything from a business to life, you should, and I'm quoting the same tale here, increase your surface area exposure to positive upside optionality.

Okay. Which is make it likely that people will [00:40:00] bring you opportunities from which you can choose. Okay. I mean, one person said yesterday, they said about fame, a brilliant guy called Blair Ends actually author of Win Without Pitching. And four questions Canadian. And he, he said that fame, actually the great value of fame is because you're no longer finding your customers.

Your customers are finding you. And because you're no longer looking for opportunities, opportunities are coming, looking for you. It enables you to choose your future because you can decide, okay, I've now got 47 opportunities, which of the seven do I really want to pursue? Whereas if you're searching for opportunities, you are basically, you are trapped in terms of what's actually available to you in the here and now.

Michael Aaron Flicker: So let's apply that to how brands think about marketing, because in that, in that because I think that's a challenge. Your position. Okay. An exciting challenger position.

Rory Sutherland: What we've never had the courage to say as marketers is that finance people are bad at maths. And they're not bad at maths 'cause [00:41:00] they're enumerate, they're bad at maths 'cause they're using the wrong maths and they're using the maths of certitude and determinism, not probability.

And consequently, we've created a world, and this is true if you work in an ad agency, they have this ludicrous mentality where every quantum of time or effort has to, has to be matched to a quantum of revenue. Okay? Now. That is a totally appropriate thing to do if you're doing something very repetitive, very predictable, very deterministic in a factory.

It's the point about marketing and this is Naem. It's not me. Naem, no naem. You know, I'm, I'm not, I'm, I'm, I'm a maths groupie. I'm not a, got very little mathematical ability. My brother's very good. But na marketing is fat tailed. Okay? And the way to look at marketing is the 80 20 rule also applies to your marketing activity.

I mean, I worked on American Express for about 10 to 15 years, and looking back on it, five things we did, probably [00:42:00] delivered five ideas. One of them, by the way, was Ogilvy's single sentence in a direct mail acquisition piece for American Express back in the 1970s or sixties, which said, quite frankly, the American Express card is not for everyone.

Okay? That made them a billion dollars easy, that single insight, which is, it's intriguing, it's exclusive. We're gonna sell this on scarcity rather than, you know, Okay. That was worth a billion dollars. We did two or three other things, which were probably worth, you know, tens of millions in terms of what you might call 10 x moonshots.

Okay? But you don't know what those are in advance. Okay? So it's, you know, in a perfect world, you know, you would be able to say, let's just concentrate on

the three moonshots and then we'll go home to the pub. But actually it's probably 3% of what you do in marketing contributes 50% of the value. Okay? And certainly I'd say that, you know, 20% of what you do contributes 80% of the value.

And it's also, again, Roger Martin [00:43:00] it's probabilistic, not deterministic. Overall, the odds in this casino are pretty good, but it's still a casino. And by the way, direct behavioral science improves the odds. That's all we do. That's the point. That's all we do. That's all, that's all, that's all we can do.

Actually. We, we do two things. We improve the odds and we make people test things that they think are irrelevant, but which aren't that, you know, in terms of the, you know, and so the promotion of testing exploration and the consideration of alternative approaches. But what we've never had the courage to do in finance is to say, look, guys, you're very good at adding up.

I probably trust you to work out the surface area of a triangle. But the maths you're using to actually quantify what we're doing, including even ROI, which is the wrong measure for marketing investment, particularly anything that's actually under conditions of compounding growth. Okay? So it's a dynamic, complex system under what you hope are to be growth conditions.

That's not linear maths at all, okay? And it's certainly not it's certainly not deterministic maths. So [00:44:00] fundamentally. What we've done is we've never fought back and said, look, the way you are judging what we do is fundamentally ous. The way in which advertising agencies are paid by the hour is fundamentally leads to massive misdirection of effort.

Because someone there looking at a spreadsheet thinks, this is where we make money. This is the worst, this is the worst thing about economics. Okay? This is where we make money. Ergo this is where we add value and the, what you might call the executional phase of an advertising agency or a media agency for that matter.

The actual implementation is more time consuming. Maybe it shouldn't be, and maybe AI will change that ratio. We can all have a debate about that is more time consuming and actually probably involves less expensive fungible people compared to the ideation phase, which probably relies on a small number of fairly rare people, and the, and a group of people who are going to become those people.

Okay? That's where the, that's where most of the [00:45:00] value is created, but it's not where the money is made. So you have this fundamental misunderstanding. I think I mean, I think there was a terrible mistake in offshoring manufacturing because people thought the values in design and the pro and, and, and effectively, so this is the opposite case and manufacturing is just implementation of our designs.

Whereas actually, if you understand how it works, a huge number of innovative ideas emerge from the bottom up.

MichaelAaron Flicker: One thing that comes to mind. About the a a third thing, we can credit behavioral science with that, that would be instructive for our listeners when they're talking to the boardroom. Our listeners, Rory, are marketers.

They're CMOs, they're people that are driving marketing innovation in their organizations and in their brands. In addition to the two you listed, we also are hopefully trying to uncover white space or blue sky areas to add the next level of value. Because if you only focus on what's currently driving, you're

Rory Sutherland: over-optimized on the past.

Yes. Correct. So [00:46:00] fundamentally you end up shrinking and you are completely non resilient. That's right. So this is the whole explore, exploit trade off, which I think is a fundamental rule of life, which is what proportion, now you must know this in media allocations. Did you ever follow the 70 20 10 media allocation model?

Oh, is this where you're talking about having 10% of wild card, 10% wild card? 20% is we think this'll probably work, but we don't know yet. And 70% is do

Richard Shotton: what we know works. I would say a remarkable number of media planners suggest doing that. But it's always the 10% that gets cut. That's the first thing to go.

Rory Sutherland: Yes. 'cause of course, it's, it. What what that is, is not, is not that the 10% doesn't pay. It's that the 10% doesn't reliably pay. Yes. Correct. Yeah. So we've created a business world where predictability is more important than profit actually. Where people would rather have a constant 3% than have a 50% chance of 30%.

Richard Shotton: Whereas I've heard you use a lovely analogy about the waggle dance, so maybe marketers should learn more from bees.

Rory Sutherland: [00:47:00] Yeah.

Richard Shotton: Apologies

Rory Sutherland: to everybody who's watched me before on podcast, but it it, it's annoying 'cause like the Eurostar story Yeah. People go, can you tell us that story? And I go, oh God. And then I realized that if I don't tell the story, it's like gonna see the Eagles and they don't play Hotel California and everything.

Oh, that was shit. Yeah. Right. Okay. Played all this new album. So the, can you just play material for my but the, the waggle dances is this business where bees are 80% is a grotesque oversimplification of the B world. It varies enormously depending on actually the, both the environment and the conditions in which they find themselves.

Okay. Mm. So they will shift that ratio of explore exploit quite dynamically and between B species. And it also varies according to how close you are to the equator because the nature of plant life and pollen and its distribution is different in temperate versus equatorial climate. So without wanting to pretend that I'm a bee expert, I'm not they, they were surprised at first because a certain number [00:48:00] of bees ignored the waggle dance.

Okay. And they thought that why has 20 million years of be evolution tolerated this level of inefficiency? And then they modeled it as a complex dynamic system over time. Not a snapshot of not, it didn't assume that the next five seconds is representative of the next five weeks. Okay? They modeled it over time and realized if you didn't have the random bees, the hive got trapped in a local maximum starve to death.

And three things it couldn't do without explore is one adapt to changing en to a changing environment. Okay? So update your current map of the world with a new map of the world heavily weighted towards pollen, nectar and resin. Okay? Possibly water. Do they collect water? I have no. Okay. Anyway okay, so first of all, you can't update your map of the world, so you can't adapt to changing circumstances.

Secondly, you can't grow, okay? Because your, the entire size of the hive is limited by your existing knowledge of, of known pollen [00:49:00] reserves. Thirdly, and most importantly, you can't get lucky. And actually, if we look at

our own lives, you married? Yes. Yeah. Okay. Basically, you know how you met your wife total, okay?

I was very lucky, you know, if you had to justify, very lucky. If you had to justify it to procurement, they go, you didn't do an adequate kind of, you know, you should have done far more comparison. You didn't get two competing bids, right? You know, you know. But getting lucky and actually effectively that point that.

I think it was Blair Ends, or it might have been David Baker made, which is that fame increases your chance of getting. Now my daughters understood this. Have, have, have you got teenage daughters?

MichaelAaron Flicker: He has a teenage daughter. I have young kids. Okay. Do

Rory Sutherland: you have to fucking pick her up at Saturday night? 'cause she's going to a fucking party.

Okay. So you are you I'm I'm 59. You know, I, at the time I was like, what, what, what was I, I was in my forties. Okay? Basically, my idea of a good Saturday night is you're sitting down in front of YouTube premium and we watch a two hour documentary on like steam locomotives. Okay? But [00:50:00] your daughter would always be at this bloody party and you had to go and pick her up so you couldn't drink.

Okay? And then I realized what they were doing, okay? Which is, it's entirely opportu. FOMO is opportunity maximization, okay? They don't have a party strategy, right? They don't do a cost benefit analysis for every party they attend. They do a sort of vague assessment, okay? What they know is that if you don't go to any parties, you'll never get lucky.

And when I say get lucky could mean sexually romantically. It could mean getting invited to a better party could mean getting invited on holiday. They could be meeting somebody whose dad works in a field where you want to work yourself. And so you can milk them for information about where to imply apply.

Okay? It could be anything, right? Mm-hmm. But if you stay at home, you don't know when you go to a party. My, my plan from this party is to extract this particular value from it. You simply know that if you stay at home, none of that stuff's gonna happen. And so the compulsive networking among teenagers is

actually probably a rational evolutionary approach in terms of [00:51:00] forging allegiances, forging alliances, sharing information.

It's fundamentally that absolutely pathological, sociability and extroversion that they have. Yeah.

Richard Shotton: And paradoxically, if they were too task focused, they'd end up probably having less successful results. It's like that idea of John K and Obliquity, that the companies that are solely resolutely focused on shareholder value then end up having a problems in the long term.

It's the ones who have that general broader, that end up it making the most money. So's effecting money as

Rory Sutherland: a byproduct?

Richard Shotton: Yes. Yes. I think you use strategy farmer example, not

Rory Sutherland: money. I mean, the, the, the great thing is cost reduction is not a strategy. That's the first point. And yet probably what 50% of companies broadly look to operational efficiencies or operational efficiencies empowered by it.

Okay. Not all of those will deliver the promise. That's just as probabilistic, if you're being honest. It looks deterministic. But there are a hell of a lot of it innovations that have been [00:52:00] brought in that haven't delivered.

MichaelAaron Flicker: But maybe this is the point for listeners to, to, we can use biomimicry and we can learn from bees, we can learn from teenagers, but you're the

Rory Sutherland: best bit of biome anyway.

Yes. So they eventually just master some technology where you could spray like a miniature QR code on an ant. So you could actually look at individual ant behavior. Ah, and their discovery, at least in the particular colonies they studied, is that 40% of ants do bugger. All right. They just wander around.

And ag the, the theory there is they're in reserve. Okay. Which is if there's a disaster, okay. Or if the, the high, the nest gets attacked. These people are effectively a reserve army. And they tested that hypothesis by picking out

useful, hardworking ants, removing them from the nest and the lazy ants, basically the stepped up into the plate.

And so effectively you've gotta remember that nature is optimized not just for short-term efficiency, but for long-term resilience and [00:53:00] survival. Modern businesses basically fetishize the, the short-term optimization at the expense of a whole load of things. In particular, of course, it's much easier to quantify a cost than an opportunity cost.

MichaelAaron Flicker: That's right.

Rory Sutherland: So finance basically nev you'll never get sacked as a finance person for killing something because the counterfactual doesn't exist.

MichaelAaron Flicker: And I think this is what we want to encourage our marketers to think about. How can we bring the other side of the rational into the discussions about how do we grow brands and how do we grow businesses?

Because otherwise we are not looking at the opportunity.

Rory Sutherland: What, and,

MichaelAaron Flicker: and

Rory Sutherland: also we shouldn't predefine the objective too strictly because we'll undervalue the, the value of fame. Okay? If I said that I want to get famous so I can do X, okay. Right? That's actually a misrepresentation of, of what you're trying to do because the whole point of fame is it brings you unexpected [00:54:00] opportunities that you, yourself were unaware of until people effectively brought them to you.

Okay? Now, what I think happens if you look at the value of a brand, what we'll tend to do is we'll value, we'll evaluate brands on things like short term sales, which are easy to measure. If, if you're a business and you've got a great brand, the best definition of this, you know, the guy, I think it's called Michael Johnson, and he wrote a book called Blind Sight, and he's written another book called, oh, Matt Johnson.

Matt Johnson. Matt, sorry, sorry. Yes. Why don't, yeah, yeah. Matt Johnson, he's brilliant. He wrote Blind Sight and he also wrote a book called The Business of Brands, I think it's called, and his great phrase is, having a great

brand means you get to play the game of capitalism on easy mode. Mm-hmm. Okay. And I would argue by the way, that behavioral science is cheat codes.

Yeah, yeah. If you want to use the same analogy. Okay. Behavioral science is a series of cheat codes, and what he means by that is that loads of things fundamentally become lubricated through fame and familiarity. Okay. When your chief executive rings someone, they'll call you back. Okay. You know, if you're the [00:55:00] chief executive of a famous company, you know, I mean, 99% of the people who you want to talk to will return your call, okay?

People work for you for less money, and they stay for longer, and they apply for you, and people come and apply for jobs of whose existence you are otherwise completely unaware. Okay? All of these things, all of these things fundamentally become, you know, five times easier. Because fame and familiarity make what was once hard work, something that happens automatically.

And yet when we only look for the value of that in the thing, we, it's a bit like if you go to, what's that joke about that person who wants to, who goes to a party? 'cause they want to, they want to do some fairly trivial thing and in the end something lucky happens. They end up winning the lottery, but they regard the day as a failure because they didn't achieve the thing they wanted to achieve it.

Yeah. That, that's a bit of what, of what's trying to happen if we overly define success in advance. Mm-hmm. Yeah. Mm-hmm. [00:56:00]

Richard Shotton: But it also has implications. I think that point of things becoming easier with fame. It shows you how hard it is to predict, predict success because you could have a number of people who are all very, very similar in ability.

One of them has a random freakish bit of good luck. Yep. They edge ahead of the others.

Rory Sutherland: And then once they edit, I got ill outta you. I read a lot of books about economics. If I hadn't got ill sometime in 1990 something, no one knew who the fuck I was. I mean, and, and genuinely, I mean, you know these extraordinary freakish things.

There's a great book by Brian K. Hall called *Fluke*, which is all about how, you know, I mean, effectively, I. The first World War happened because a chauffeur took a wrong turn into a one-way street. Okay, I don't know this. So this guy

was trying to kill the Archduke? Yes. Okay. Prince it, but he failed and he got pissed.

Got pissed off 'cause he couldn't kill the archduke. So he goes and sits outside a cafe and orders a coffee instead. And then the chauffeur of the a Duke's [00:57:00] car makes a wrong turn and gets stuck in front of the cafe. Worse still, I think the car was incredibly difficult to get into reverse gear. Okay. It's a bit like that joke, which is the terrible thing about the Kennedy family is their taste in cars.

'cause the whole of American history would've been different if Jack had a sedan and Teddy had had a convertible.

MichaelAaron Flicker: Right? Yeah. Okay. So I'm obligated not to laugh. You're obligated not to laugh.

Rory Sutherland: Okay. It is American comedian who tells that joke. So I'm, I've got it. Okay. Right. But actually, really, really trivial events have extraordinary knock on effects.

Okay. And actually simply in Nems, great thing I, I've learned half of what I've learned from Nasem. Okay. Let's, let's give the guy, you know, the due credit, which is effectively using really quite good maths to look at things differently. And there's a difference between an option and an obligation. Okay.

It's the difference being invited to a dinner party and being invited to a drinks parties. Drinks parties. Actually shit compared to dinner parties. But one exception, [00:58:00] which is if you don't feel like it, if you don't turn up at a drinks party, no one goes, where the hell were you? Okay. So I, my wife gets really furious about this 'cause I go, let's get, let's leave the car here and I'll leave my car here.

'cause now we've got more optionality. Okay. I'm just getting cheese here. Can't you just make a decision? But but optimizing for optionality Yeah. Rather than optimality. It just requires a different approach. And this is why I say that finance is optimizing for certainty and predictability and actually the way in which you get lucky.

I mean, you know, I, I believe in being, to be honest, I believe in, you know, 30% of your life should be driven by expediency to be absolutely honest. You know, just, oh, I know. You know, what's that? What's so fascinating is you talk to entrepreneurs about this. What's very interesting, okay, you talk to someone

in a big business about behavioral science and they go, I don't like this 'cause it messes with my fucking head.

I've got a nice, clear, deterministic, mechanistic view of my world, and I don't want you [00:59:00] and your right brain stuff coming in and fucking it all up. Okay? You talk to an entrepreneur and you say, isn't it weird that people do this instead of that? And they go, arbitrage opportunity. I can make a business out of that.

And that's the fundamental difference in mindset between I don't like conflicting information and hey, conflicting

Richard Shotton: information. Yeah. And I think there's, maybe that happens because there's completely different motivations in a big bureaucracy. It's about maintaining the respect self for the people. It's self-defense for the entrepreneur who owns a business.

Well, it's all that, it's all maximizing revenue. And those conflicting stories are great opportunities in their eyes. Hmm. And I, I,

Rory Sutherland: and they are actually going effectively. What an entrepreneur wants to know is not how can I be right? Just like everybody else. It's what are my competitors wrong about.

Mm-hmm. That's what really excites them. If they, if you can point out something where you go, everybody assumes this. You know the Uber map, you know, everybody assumes people want tax cabs to turn up quickly. If you have a nice little map, they don't really mind that much 'cause they can see where the cab is.

Okay. [01:00:00] You know, that's the kind of thing where effectively they go, Ooh, that's interesting. Everybody is directing effort and attention and investment in the wrong direction. Into unexplored space. Value creation opportunity. Yeah.

Michael Aaron Flicker: Meaning that it could take the same amount of time as a yellow cab, or we call them black cabs in London.

Yeah. A black cab as an Uber. But because I have a map that shows the Uber making its way towards me, that's the unexplored space, that behavioral science.

Rory Sutherland: I think there's also a mindset question. 'cause we talked about the divide between an entrepreneurial business and a bureaucratic business, but we've got the worst thing at the moment, which is even in the us, less so in the US than in Europe, but basically a bureaucratic, large business which doesn't really believe in growth or opportunity because they're convinced they're operating in a kind of stagnant market.

And markets are only stagnant because people behave as if they were. And so in the eighties, in fairness, if you worked in our business in the 1980s, basically [01:01:00] everybody believed they're gonna take over the world. And that false optimism, which often was completely misplaced if we're being absolutely rigorous about it, nonetheless, it created a mindset where people were going, oh, you never know.

Maybe, maybe we could, okay. Whereas now everything is batten down the hatches and act as though every everything is a potential threat and that the only possible way you can survive is by the optimization of your established processes.

Richard Shotton: Yeah, it's

Rory Sutherland: tragic.

Richard Shotton: Yes.

Rory Sutherland: I thought you were gonna get into slight it also, it's also really fucking boring as well, working in one of those things.

I always remember some Scandinavians going, yeah, well there are two ways, sorry. Okay, I'll, I'll get the you know, I'll get the DEI people into me for being unkind to Scandinavians. But they said there are two ways to run a mobile accounting company. You do the whole thing on price and you compete on price.

Said we could do that, but we realized that working for those companies is really shit. So we went and did something else. Perfectly honest description of, you know, [01:02:00] there is, there is by the way, a cost leadership strategy in most categories, you know, Ryanair, et cetera. It, it, it's a perfectly valid, and Ryanair is a bit complicated 'cause it flies routes that nobody else flies.

And as you said, it gets subsidies from the cities which it serves, which the consumer isn't even aware of. So there's a whole lot of stuff going on there. But

nonetheless, there is, you know, that's a perfectly, there, there's always a group of people who will buy on price in a market. The only problem is, okay, now I've got a little theory here, right.

Which is the standard behavioral economics narrative is that econs don't exist. And that in any evolutionary environment, anybody who behaved in a way that was purely economically self-interested and rational wouldn't, well, you certainly wouldn't have any friends. Okay? Right. And so the idea is that econs only populate economic models.

I would argue slightly differently, I would say in every category. Okay. There are people who are de facto econs. Right. Here's the thing. You don't want them as your customers. Who would you want? Okay. Do you want I Caro's customers or do you want the customers of people who go and go, Ooh, [01:03:00] look, cheese Whiz is on special right now, my view is that there are econs in categories.

Mm-hmm. And that you can actually deceive yourself because by attracting econs you think you're doing really, really well. But actually they're totally unli. Yes. They, you know. They're probably not really trustworthy, but they, they, they have no value. 'cause they have no capacity to reciprocate. They have no loyalty.

They have no, they, they won't give you the benefit of the doubt. You know, they're just really, really painful people

MichaelAaron Flicker: to serve because they're only mo motivated by economic exchange and transaction. It's similar to a point we were talking about before the show started, which is if marketers only look at the average, only look at, at the, at any demographic or any, or any population as down to one set of stats, it misses the point.

It's a, it's an adjacent concept.

Rory Sutherland: I talked to a coach driver once. He said he used to do holiday tours, okay? And he said, the worst job you have is the [01:04:00] worst the last week of the season. Right? Because there are people who basically can't afford a holiday at all. But they feel they need a holiday. So they buy the cheapest holiday they can.

He said you drove them to Tinton Abbey. I come from Mon Show. Okay. You drove them to Tinton Abbey and they all got off the couch and half of them got

back on again three minutes later and they go, this is back in the seventies. Okay. They, it's 50 p to go in. Right. And they'd steal all the toast from the hotels in the morning to make sandwiches for lunchtime.

Now I'm not, you know, okay. They haven't got much money. I'm not being mean about them, but he just said the whole experience 'cause they had no discretionary money. Okay. No capacity to kind of, he said he, he said the, the, the, the peak time tourists, you know, who actually probably were actually no, no richer the off peak thing, they were just slightly more extravagant.

He said they were delightful. You know, he said the people who were on the edge where basically everything was a kind of cashflow decision. One big reason for redistribution of wealth, by the way, I've never understood this, why Unilever and p and g never argue for a more redistributive tax [01:05:00] system.

Because what you want, if you're a consumer goods business is a lot of people with quite a bit of money, not a few people with too much money, which is what we have, by the way. I mean, I'm politically right of center, but this question of both the property market and the completely unequal distribution of wealth and the creation of an meritocracy strikes me as a really fundamental problem and nobody's doing anything about it.

And your point is, it's bad for

MichaelAaron Flicker: commercial,

Rory Sutherland: it's bad for business, bad for business. It's bad for business. You don't, you don't wanna live. The worst place you could live is where a place where you are really rich and everybody else is really poor. I always thought that about Danton Abbey. Right? Okay, so I'm watching Danton Abbey, and I'm a cons, I'm not really cons, I'm a consumerist.

Okay. Actually, somebody met a really eminent historian a few nights ago who said all this stuff about the industrial revolution, because we've got the kind of mills and the buildings, it's all overplayed. The really great thing the Brits did was invent consumer capitalism and marketing for mass produced products.

In other words, we make things abundantly and we go and sell them to people who didn't know they [01:06:00] needed them. That was the real economic triumph, not the sort of steam engine stuff. Now, obviously they're interconnected. I'm not suggesting, you know, we could have somehow created

mass consumerism outta nowhere, but he always thinks that was the great British thing.

Actually, Nile Ferguson says something similar. Consumerism has actually been a pretty good thing. Okay. And when I watched Downton Abbey, I always thought if you just doubled the salaries of your servants, right, A decent cafe, or if you're really lucky, an Indian restaurant would open any nearby town. Okay?

And you wouldn't have to eat food cooked by the same woman every single fucking day of the week. 'cause they had Mrs. Whatever her name was in the kitchen, didn't they? In Downton, right? Who was the cook? Yeah. Okay. And they were hugely rich people. Okay? But all the food they ate was cooked by this one person.

Okay? Now you have best will in the world, right? If you just doubled the salaries of your servants, you would've got a bit of a nightclub in the Yorkshire. You know, you would've had a bit of, you would've had a pub, you know, you might have had an Indian restaurant opening, and you could have got a bit of [01:07:00] variety.

So actually, inequality of wealth isn't even very good for the very wealthy. 'cause you get surrounded by utterly pointless lin goods and utterly, utterly misdirected forms of expenditure.

Richard Shotton: Yeah. Well I think the, the other one that's always struck me in terms of that argument for redistribution is when you see curves of diminishing response.

So if you look at any studies by Conan and the like, where they try and look at life satisfaction and happiness, yes, it goes up. Consistently with yes, wealth, but it is on a log scale. It, it, it, it bends very quickly. So you can do, you can have a magic by taking a pound off a millionaire and giving it to someone on 10,000 pounds and that pound being, yeah.

Rory Sutherland: So that's everything is a bit like heroin, that actually you need more and more incremental wealth. Wealth exactly. To, to retain the same. There was a guy who became a millionaire who remembered thinking that when he was about 15, he'd bought some fancy silk dressing gown, which he'd saved up with. I know.

Strange thing for a teenager to buy, but he'd saved [01:08:00] up for it for years and he remembered something like buying a new Rolls-Royce and realizing it

didn't give him the same thrill as the dressing gown had given him. Okay. Yeah. So I think one, it's also different of course, between country wealth comparisons are totally different to within country wealth comparisons because we do fundamentally set our expectations.

So that's sort of Lord layard stuff.

Richard Shotton: Yes. I mean, no one walks into a a room and then gets excited 'cause the electricity comes on. But if you went back a hundred years, it would've been a technical marvel again. We have big, my kids

Rory Sutherland: find aspects of the internet totally boring, you see? And I find that rather depressing because I must have told the story of it.

So I, I was on the, I was on the tarmac at Sydney airport waiting to take off to fly home, and I just laughed and I, I and my daughter said, what the hell's so funny, Dan? I said, well, just for 30 seconds about that, I turned on the central heating at home. Yeah, okay. Now bear mind. I was born in 1965, so the idea of being able to make a boiler click into life 25,000 miles away was just childishly [01:09:00] enjoyable.

My daughter's dad, you're such an idiot. And I suddenly realized, of course, she's grown up in a world where that's infrastructure. There's a Douglas Adams thing isn't there about technology, which is the technology that's invented before you are born or up until the age of 10, 15 is just infrastructure, okay?

Then you have the technology that's invented between your age of 15 and about 40, which is absolutely brilliant. It's like magic. It's fantastic. And then after you're 40, it's all absolutely stupid idea. Why would anybody want to do that? And by the way, there is a lot of. One of the things that I think there's a lot of now is what you might call defensive opinion forming, which is, I don't know if this, you notice it when you were a kid, everybody admitted they wanted to own an Aston Martin, but they just acknowledged they couldn't afford one.

Okay. And now you get a load of young people in cities who go, I don't have an Aston Martin, so I'm gonna pretend I don't like cars. And there is a bit more of that. Do you think there's a bit more of that going on? You know, what you might call, you form your opinions to suit your circumstances. [01:10:00]

Richard Shotton: Okay. I think that certainly happens, but whether it's changed over time, I guess that's the only one that's harder to, to quantify.

No, I Maybe people,

Rory Sutherland: maybe actually people did

Richard Shotton: it in

Rory Sutherland: a totally different way and people have always done that. It's called, there are two things. The opposite of sour grapes is sweet lemons. Have you heard of that? No. No.

MichaelAaron Flicker: I don't know that.

Rory Sutherland: So sour grapes is, here's something I can't have. I'll pretend I never wanted it anyway because the grapes were probably, it's esop and I don't think sweet lemons is esop.

I think that's the corresponding, and that's something bad has happened to me, but I'm gonna pretend it was, you know, like my, my six years I spent in Leavenworth prison were a really formative experience. And I wouldn't be the man because you, you don't wanna admit I wasted five years of my life and chokey.

Okay, so you actually say in the end, it turned out to be really decisive. Okay. So you actually take a bad thing and you reframe it as a positive or you take, so a bad thing. You had to have you reframe as a positive and a good thing. You couldn't have you reframe in negative terms. Yes. One of those things that we can see in other [01:11:00] people, but never see in ourselves.

No, no, no, no. Absolutely. Right. Absolutely true. And, and so, I mean actually esop, I'm so glad you mentioned him 'cause he was the first behavioral scientist. It's, what is it? Seventh, sixth century bc. Seventh century BC I mean, fucking two and a half thousand years ago. Okay. And actually if you read the whole of ESOP's fables that, and actually Jesus.

I know you're on the other side. That's

MichaelAaron Flicker: okay. But we can learn. No, I'm just kidding. Yeah,

Rory Sutherland: Bible a bit like the Godfather, you know, the sequels actually better than the original.

MichaelAaron Flicker: See, now we have a, we have a different podcast to do. We got a different podcast. Okay.

Rory Sutherland: Okay. Yeah. But but the interesting thing there is that you know, Jesus' parables, you know, loss aversion in the parable of the lost sheep, and people were obviously thousands and thousands of years ago, were basically wrestling with what you might call the difference between perception, emotion, and behavior, and objective reality in some sense.

And, and doing it in the case of esop really, really well. And I, I, I, I actually went and dug out [01:12:00] esop and there are a whole load of parables there, which are really, really interesting nudge experiments. There's the guy who leaves his, the, the farm to his children and tells 'em that there's treasure buried on the land.

So they all dig up the land looking for the treasure. And his actual wording is, you know, you'll find treasure. What he's done is he's encouraged them to plow the farm. Yeah, okay. So by effectively pretending there's tr now that's, that's a failure worthy nudge, isn't it? Okay. So they do get the treasure, but the treasure they get is greater crop productivity rather than, yeah.

MichaelAaron Flicker: Because those fables, the, the Bible, and many others are observations of humanity are observations of behavior that then can bring to insights. And in the

Rory Sutherland: case of both parables, ESOPs fables made Beau beautifully illustrated. Anecdotally,

MichaelAaron Flicker: yes,

Rory Sutherland: there's nothing wrong. Nothing wrong with anecdotal information.

I mean, one of the things I'd argue about the use of data is if you're using aggregate data, you're probably using it for [01:13:00] just self-justification. And if you're looking for anomalies, you're probably using it for illumination. Okay? So in general, when people use big, chunky data and they aggregate it, it's usually self-defense.

Okay? When people go, let's look for a Simpsons paradox, or let's look for some unusual outliers in the data, that's when you're actually doing the right job. And I always make this point that cops. Better than scientists. Okay. In their method.

'cause they accept the fact there's an investigative phase and then there's an evidential phase.

And in the investigative phase you don't demand evidential value. Right. You, you'll, you'll go to the next door neighbors of someone who's been murdered and go, did you notice anything unusual last night? You're literally, you're on the lookout for anything you can use that might help you direct your attention.

So I'll, I'll Americanize this for you. I usually use Peter Sutcliffe from the Yorkshire Ripper, but they caught Son of Sam. Yes. You know that? Yes. Okay. You're not from Long Island, do you know that?

MichaelAaron Flicker: No, but I'm from near there. Yeah. Nearby. I know [01:14:00] it.

Rory Sutherland: So they caught him because someone happened to mention they'd seen a traffic warden and someone thought, what if he'd got a parking ticket?

It's an outside chance, but let's just go and look. Let's find out who got a parking ticket on that evening. 'cause no one was expecting a traffic warden that late in the evening I think. 'cause it was definitely a kind of. Nighttime operation Middle night. Yeah. Okay. And of course, these two cops that are this totally routine thing, we've gotta check up on this guy.

You got a parking ticket, maybe he saw something and they actually see his car parked outside the flat and there are a load of sort of guns visible in the back foot. Well, and a load of loony messages. I think at that part they go, I think we better call for backup. I think it's, but that's how actually scientific investigation happens.

But what we do is we publish the evidential phase in a paper, but all, there's a podcast called Night Science. Have you ever come across it? And it's by a bunch of scientists who actually argue that the more important bit of science, the penicillin noticing the, the thing Yes. Is actually the more important part of science.

But instead of optimizing for [01:15:00] observation, we're optimizing for evidence.

Richard Shotton: Yeah. That reminds me of so Paul Wick, who's written series of brilliant, brilliant books anatomy of Humberg, probably being the best one.

He has an issue with case studies because he says, with advertising case studies, what happens is there is this rewriting of the actual experience.

It looks very logical and methodical. Feld, who went to mom school by the way?

Michael Aaron Flicker: I'll just plug Little plug.

Rory Sutherland: Yeah. Yeah. We, we, we never overlapped quite, but weirdly, we both read the same school library copy of the hidden persuaders. Okay. And both of us, so he feld back in the, it would've been 73 or something.

He lived in agave. I was in Ragland. He he, he took the hidden persuaders outta the school library in Reddit. I then 19 79, 80, yeah. Read the same copy. Okay. And admittedly, both of us had the same reaction, which is rather than going, gosh, this is absolutely scandalous. They must put a [01:16:00] stop to this.

We read it and thought, this sounds fucking brilliant. Okay. Right. So both of us have the same,

Richard Shotton: same reaction reading, no logo. No logo. You have the same reaction. Well, oh, this

Rory Sutherland: is great. Right. And actually, I think Robert Cialdini set out intending to effectively aid regulators to say, these are the tricks.

And, and, and, and sim something similar happened actually with Thaylor and Sunshine, to some extent, I think they hope to inform government regulation and they really, they found their most enthusiastic adepts amongst car salesmen and people like us. Yeah. But but Feld actually writes an accurate story of how the Barclay card now, the Barclay card campaign which features Ron Atkinson as a secret, as a bumbling secret agent with his trustee sidekick called B.

Okay. This was an ad campaign which gave rise to Johnny English. So actually some of the royalties for Johnny English should really have been paid to whoever was in the [01:17:00] advertising agency, or indeed to bark the card who probably owned the copyright. Okay. So it, it actually went into a sort of multimillion dollar film franchise.

Eventually it started as an ad campaign. Also true of that case where a football manager takes an American football manager that started as an ad campaign and was converted into an Emmy winning. And the poor copywriters behind that got

no credit for it. Interestingly, okay, so really good copywriters are actually looking for something that has the potential to be a property art directors.

Likewise. Okay? And so occasionally you get these things, but what was so fascinating is the whole story was basically, it was a series of lucky accidents where at one point they were trying to write funny scripts and someone in a research group said, look you're trying to be funny. Look, sometimes you succeed, sometimes you fail.

One, I do go and get Ronan Atkinson in 'cause he's funny in ev in everything. And they got Ronan Atkinson and with Ro Ronan Atkinson came John Lloyd, who I know quite well. Brilliant, brilliant you know, producer and director [01:18:00] and fantastic comedy writer. Okay. And once they got that, they had got the ingredients of the whole thing.

But the actual thing was a whole series of serendipitous kind of movements, including a hell of a lot of kind of iteration. Okay, we'll go and start you. This isn't working in research. We'll go back and start again. Now. The great thing with BNP is they conducted their own research so they could actually on the fly, rather than just going, doing some research, spending a load of money in research and coming back, going, it doesn't work very early on if they found something wasn't working.

The H monster, you know, okay, so this, this enormous, tell them about the honey mummy creature. Okay. When it was originally conceived by the creative team, it was a small mischievous thing and the mums hated it 'cause they saw it as a badly behaved time. Now, most research people would go back and say, not all of them.

I'm not, I'm not besmirching the entire sector. No, it's not really working. The Hil, the mums don't like the fact that the H monster misbehaves and someone in doing a research, a planner probably at BMP said, what have we [01:19:00] made the H monster? Massive. So it's a bumbling adult. Okay. Rather than being a small mischievous creature, and when they made the H monster, massive everyone.

Oh, wonderful. Right. And so literally these little executional tweaks, these ad tweaks sometimes totally change the emotional response to an ad and therefore mean the difference. I mean actually famously Solutions for a Small Planet for IBM, great end line that Ogilvy gave them back in, I suppose the late nineties.

Okay. That came outta research group and it was actually voiced as a criticism. Okay. So somebody, all you people are, all you're doing is coming up with well, okay. Solutions for a small planet. Okay. And someone sitting at the restaurant went, okay. And that's fine, by the way. I mean, actually listening to things as a creative person, it's not an act of origination.

It's an act of observation. Yeah. A lot of creativity is just a act of inspired observation

Richard Shotton: and nothing more, [01:20:00] nothing less on, on that point. I think it's fascinating how many times band names are criticisms. So led Zeppelin, someone said that you'll go down balloon a balloon and then balloon manic street preachers, it was a drunk walk past 'em, and they were busking and shouted out you know, you're just manic street preachers.

And they took it. The impressionist, the art group was a, was a, as a criticism, daft Punk was a c. And

Rory Sutherland: of course, there's only insult, of course, in things like we Welsh rugby fans take inflatable sheep to the matches because you are accused of sheep shagging. Yeah. You also get it, you know, so, I mean, funny enough, Tori comes outta that.

You, you, you own the insult.

Richard Shotton: Yeah.

Rory Sutherland: Yeah. Which is actually Cheeseheads would be your yes. Translating for Thank you. It was an insult to Wisconsinites. Okay. Which they own now. But if you go to a Milwaukee Brewers game, people wear enormous wedges of cheese on their heads and take it as a badge of pride.

MichaelAaron Flicker: That's right.

Rory Sutherland: And Welsh people will do that actually, which is, [01:21:00] it's too tedious to deny the fact that you have sex with sheep. So you just pretend it's a, well, obviously

MichaelAaron Flicker: what? Well, yeah. So if you wanted to guide marketers on how to best use research, we've talked about observation being a key part, but how else should we think about using research to get to the best outcomes for brands?

Research

Rory Sutherland: is great because it's a source of information, and I'm in favor of any source of inspiration that you can mind for inspiration. The only thing is, it's the old joke about which isn't David Ogilvy, it's always credited to him. You use research like a drunk uses a lamppost for support rather than illumination.

And this is the whole question of modern business, which is to what extent is effort being directed defensively towards self-justification versus being directed offensively in the quest for opportunity and and, and progress. And gr and I would argue that there, it's very, very easy in modern business to disguise as covering as rigor.[01:22:00]

Actually all this stuff you're doing isn't designed to make a better decision or even a different decision. Okay. It's simply there so that in the event that things go wrong, you've got your workings out. Mm-hmm. Okay. And actually, I mean, I, I spoke to s about this and said if we didn't practice defensive decision making in organizations what.

What would be the principle effect? He, he said basically, you could all go home a Wednesday afternoon, you know, spend the rest of the week in the pub. Now here's another interesting thing, which is that I think this is actually mathematically important, okay? The part, part of the point of a larger organization is that under multiplicative growth dynamics, if you share risk and reward, you grow faster than if you apportion risk and reward compartmentally.

Okay? If anybody wants to see the maths around this, there's a thing called the farmer fable.org, which is an animation on the web, might be called farmers fable.org, or the Farmer's Fable find, which shows the whole [01:23:00] principle that under gon it, it's about Ergon, it's about non IC conditions. Okay? I, I, I, the second thing is a story which actually comes from Richard Thaylor, which I think is hugely important.

Thaylor, I think, I think it's Thaylor, is talking to the board of a large American company, possibly ge. We're not quite sure. It's never said, okay? And he goes around the boardroom table to the heads of the eight largest GE divisions and said, I can offer you a decision which has a 50% chance of success, where your profits and and, and, and, and revenue will go up by 50%, but it also comes with a 30% chance of failure, where your profits and revenue will fall by 30%.

You're not gonna make a loss, okay? Your profits are gonna fall, okay? How many of you would take those odds and all, but two of the eight said, no, I

wouldn't take those odds. Two of them said they wouldn't. He said, well, you are all good enough mathematicians to realize that this is an uneven bet with, you know, a net upside.

Why wouldn't you take the odds? He goes, because 30% of the time I'd lose my job. I'd only have [01:24:00] to take those odds three years in a row and I'm bound to lose my job. 'cause one year in three, it's probably not gonna happen. Right? And then this is the fascinating bit. The chief executive is sitting at the end of the room now he, he's responsible for the aggregate of all their decisions.

Okay? And you go, but I want all of you to take those odds because net net between the eight of you we're almost certain to end up up. Now what seems to be happening is the cult of accountability where every single component of a business has to justify itself on its own terms. Okay? Seems to be creating an absolute cult of risk aversion because you want people individually within an organization to be slightly bolder on the assumption that the whole point about risk sharing and risk pooling in an organization allows you to take decisions which no individual would take, but which make perfect sense to the collective.

Okay? Right.

Richard Shotton: As long as they're dispersed.

Rory Sutherland: [01:25:00] Well, that's why people go hunting. Okay. In, in hunter gatherer societies, you have the base level, which is taken care of by gathering fruits and berries. And the point about hunting is it has a low probability of success, but massive gains in the event of success.

Okay. And you can't be a lone hunter, you'd starve to death. Okay. But if you're a group of people, particularly when some of the group are involved in gathering rather than hunting, the hunting makes absolute sense. And so, hunter gatherer groups will grow faster than gatherer groups. And yet what we've done is we've created a, basically a gatherer culture, which is, I spent six hours today and look at all the berries.

Right. Okay. So that is, that is a classic case of what you act, NAEM called that the barbell, you know, you basically ensure survival by doing the sensible things. You know, that's exploit, you know, don't, yes. Don't, don't, don't stop doing sensible things. Okay. But at the same time, you, you, you, you go to the other extreme and you look for things that have a, you know, a a a survival downside.

Survival worst case scenario, which [01:26:00] I suppose hunting just about comes into, but potentially limitless upside. Okay. And actually, companies aren't doing that anymore. They're just gathering.

Richard Shotton: But that, that, I think that's a, a critique we'd all agree with. But how do you encourage companies to change that behavior?

How

Rory Sutherland: someone left google and they went into some, did some research. And their whole PhD, they left Google to do a PhD on why big companies no longer innovate once they reach a certain size. And she met Blair Ends who said, I've got a single word explanation for this, which is inefficiency, which is the quest for efficiency, destroys the ability to innovate.

And she said, I've also gotta single word explanation, which is slack. You said what happens in a large organization is everybody becomes so defined and optimized for the part, not for the whole. There's great phrase in, in which is to optimize the whole, you have to suboptimize the parts. It's w Edwards Deming, I think his name is.

Okay. And it's known in complex systems that [01:27:00] you know, the reason we have a central nervous system is to stop individual components running away with their own particular metric. Okay. You know, because all, all we'd be is enormous pair of testicles or something if you didn't have that kind of command and control mechanism.

Okay. And so consequently she said, when you lose slack. Nothing lucky happens. One thing that stops happening, okay? If I ran my own business, I'd hire people on the basis of their talent and find a job for them. Next. Okay? Large companies have a role that's vacant and they hire for the role. Totally the wrong way to hire.

Okay? Now, who's the football manager who did that? Was an American football manager. There was a guy who probably Vince Lombardi. It always is. Could have been a good guess. Just said, Vince just said, hire the best talent. Yeah. Don't worry about all this running back versus this stuff. Yeah, well, it's a good guess.

It's a good bad, you know, as Vince Lombardi said, when you're looking for a good pitch, then okay, no. Okay, okay. Probably as Vince Lombardi and he did hire the best talent, you, in other words, you hire the [01:28:00] best talent, you

find the, you know, you find the role for 'em later and actually, so everything becomes effectively a quantum and everything gets siloed into individual things which are optimized in isolation.

Now the really interesting thing about innovation is if you look at two really great innovations that big companies have managed to succeed, the IBM PC Division Watson basically placed a whole seaboard away from IBM headquarters down in Boca Raton, Florida. 'cause he said, if you're anywhere near to hq, we'll kill it.

Okay. Only survive partly. They were actually in a separate office in Lasagne. Not in Verve. It's not that far away, but it's not in the same building. And actually the guy was involved in a massive I Nissan stroke. I think Nespresso is the Swiss apple. I think it's a magnificent, magnificent creation of a whole system of things.

I know you prefer your Keurig cape. So no espresso is on the rise. Right? It's on the, okay. Right. But but the other thing is that they had a huge route about whether it [01:29:00] was branded NECA or not. Okay. Which is predominantly an instant coffee brand, which would prevent the premiumization that the guy thought was necessary.

But they also survived because they lied about their figures for two years. They basically just basically f brilliant in my opinion. I might stop doing that actually with my time sheets. Just, just fucking

MichaelAaron Flicker: lying. This past Saturday from when we were recording was Berkshire Hathaway made the announcement that Warren Buffett is no longer going to be the chairman.

He's stepping down as chairman. And interestingly, the Wall Street Journal wrote as you would expect them, dozens of articles about Warren Buffet. But what they said, the reason there will not be another Warren Buffet is because the game that current private equity and investment banks play, and not the game that he created when he started, when he took over Berkshire Hathaway and grew it to what it was and, and, and what we're talking about.

Another angle of what we're talking about is where do you get the biggest reward? Because corporations get the biggest reward through, [01:30:00] through quarterly reports, quarterly profit and sustainable plantable profit. You could

Rory Sutherland: argue that private equity or venture capital in some cases, are actually playing the probabilistic game.

They accept the fact that this is fat tailed. Yep. Okay. And they're looking for that. And they're looking for basically 1%, you know, 5% of their investments cover, you know, basically all of the losses, 200%, all of that, all of the other losses. So they're at least, at least thinking in that way. Oh, as opposed to corporate culture.

He was an investor in. David Ogilvy, he met David Ogilvy. There's a letter from Warren Buffet. That's cool. Which I includes a check for his investment in the early Ogilvy in May. By the way, I

MichaelAaron Flicker: did not know that. No, no. I, I didn't. Somebody,

Rory Sutherland: somebody who's a real sort of you know, yeah.

MichaelAaron Flicker: Buffet nerd sent it to me.

That's very cool. And so what we want to ask in corporations or in all brands for people that are listening, is what are the incentives that we're setting up and how do we define success? The large arc of our conversation is defining success by finding the next [01:31:00] opportunity, not only optimizing efficiency, about looking for the the next.

I mean,

Rory Sutherland: you know, you, you've gotta ask, ask, do you think Apple will come up with another innovation? Do you, do you think that when the CFO takes over from the CEO, this is the whole thing, you have someone from a very, very deterministic mindset taking over a job that requires a very probabilistic mindset.

Mm-hmm. I'm nicking this from Roger L. Martin. What is interesting, by the way, is what's interesting about this, I feel sometimes I'm totally straying outta my tram lines by talking about wider business questions, but I think the problems we have in marketing are actually a microcosm example of wider problems in business, which is the whole question of accountability versus ultimate value creation.

MichaelAaron Flicker: That's right.

Rory Sutherland: And so I think that marketing is merely a pinch point where this problem has become particularly visible

MichaelAaron Flicker: and, and it's a little easy to blame CFO versus CMO when the bigger issue is deterministic or probabilistic.

Rory Sutherland: The only thing is, are [01:32:00] investors actually more intelligent than the people who are presenting to them, give them credit for.

Mm-hmm. 'cause you can tell a story to investor, which is we're basically going to do this thing because we believe it will pay in the long term investors. And, you know, many of them are running pension funds or something. It's not a, you know, okay, there's trading algorithms that are holding a stock for 16 seconds.

And there is a problem that in the 1950s, the vast majority of American stock was held by individuals.

MichaelAaron Flicker: And now it's, and it's

Rory Sutherland: now it's held by institutions. Right. And therefore, the need to justify your existence repeatedly, almost certainly leads to overtrading and, and short term time horizons. Yeah. I mean the, the book to read on that is John Kay's, the, the Corporation of the 21st Century, which is really interesting.

But he argues that actually the shareholder value movement isn't actually even true. Okay. I mean, other people have argued that it's deleterious to the practice of good long-term business. And particularly because everybody can always game the system to maximize the rewards of the senior [01:33:00] management by, you know, share buybacks or whatever bullshit you choose to.

Gotta be careful here, whatever bullshit you choose to engage in. Okay. When you haven't got a better idea. But he, what's interesting about Kay's book is he goes, the whole idea that this is fiduciary responsibility and that it's your obligation that the principle obligation of an, of an organization is to its stockholders isn't even legally true.

It's just a Milton Friedman convenience. Now, interestingly. What is this led to is literally boards of directors where there isn't a marketing person on the board and there isn't an innovation person on the board. So, Peter Drucker's, two sources of value marketing and innovation and your customers as a group.

I would also argue that HR does not represent the employees. It's a total fiction. Okay. So your customers and your employees are totally unrepresented on the typical board of directors. Pretty weird, isn't it? I mean, when you think about it that you have this body of opinion discussing [01:34:00] strategy for an organization and the people who are actually at the co at the shelf, the p the, the place where people give you money are not represented in that room.

Mm. It's got a weird state of affairs. I mean, what I'm saying is it's emblematic of a, you know, I worry about the advertising industry 'cause I go, look, we haven't got any offices in Austin. We haven't got any offices in fucking San Francisco. Everything's in New York or Chicago, which is great if we're in the 19th century, but where's the, where's the, you know, where's the Texan office?

Where's the Dallas office? And that just seems the point I'm making is it just seems emblematic of something,

Richard Shotton: which is a problem. Mm-hmm. You've got some of the most prominent like intellectuals in a business like Scott Galloway talking about this myth. Well, I wouldn't say it's a myth, but of the, of the death of, of, of branding.

There's an increasing argument that marketing is a nice to have, not a, an essential,

Rory Sutherland: you, you could argue I mean okay, let's take a small microcosm of that, which is the death of [01:35:00] jingles. Right. I don't think jingles ever stopped working. Yeah. Okay. I don't think long copy press ads ever stopped working.

Okay. I don't think physical direct mail ever stopped working. Okay. I don't think the BMP press out of the 1970s, which was a really god damn funny, brilliant concept followed by 200 years of 200 words of immortal prose, you know, I don't think they ever stop working. And all that happens is it's, it's fashion.

MichaelAaron Flicker: Mm-hmm. It gets outta fashion and no

Rory Sutherland: one, no one tries to do. No one tries to do it because either because it's unfashionable or because they've stopped believing in it, there's no empirical evidence to suggest that. In fact, there's a lot of empirical evidence to suggest the absolute fucking opposite, which is what happened to Nike when they suddenly started to try and optimize for efficiency by selling direct to the

consumer a decision which could only be taken by someone who had literally never bought a pair of their own fucking shoes in their life.

Right? Because that's not how we buy shoes. You wanna try 'em on. And also, they had all these independent retailers who are kind of part of their [01:36:00] ecosystem. You know, that'd be like Coke trying to get rid of the bottlers, right? Yeah. Okay. At one level, they're taking some share of your fucking revenue. But then the other thing is, I think you guys in the media world who stole all the bloody money basically from the creative agencies, which is where it properly belongs.

Okay. And you became the first port of call. Okay. Right. And that's, that's sometimes good and sometimes bad, but they should be, they, they need to be considered in parallel. So the separation of media and creative was an act of total self-harm on the part of the advertising industry. Nevermind. Okay.

I, I mean it, the advertising industry is a bit like Meghan and Harry, which is every time they have a choice Right. They make the wrong decision. Okay. You know, it is the, the Meghan and Harry of the business world in that, you know, you, you had, you know, you had Meghan Markle, who they literally had the opportunity to be the royal family's diffusion brand, right?

Yeah. DKNY to the main machines Donna Car or Ralph Flo and Purple Label. Right. It was the polo. Right. [01:37:00] Actually, that's even better analogy. Right. And they had that opportunity. Threw it away by getting really angry about random shit that was made up. Like saying you couldn't buy avocados in the uk. Now what's that all about?

Right? Do you hear that? I'd never heard the she, she comes complaining she couldn't, I think it was the royal servants who didn't like her were persistently just feeding her complete bullshit. Terribly. Sorry. No, we don't have, and there's no demand for them. Okay. I, I don't dunno, there's something weird going on there anyway, but, but but anyway, you look at media, one of the things I think that's happening right, is we are starting to define if you, well the great thing about fame is you discover customers you didn't know you could have.

Okay? You know, a whole load of people buy, I think I bought this thing. Okay, now you can't market it this way. Samon Galaxy fold. Fucking fantastic. I, it's turned off 'cause I'm on a podcast. Okay? Now I'll be ly honest with you. Right? Okay. The whole thing is all about productivity and this that I bought, I'm fucking old and I [01:38:00] can't see anymore.

And I keep going. I'm on this phone. Fucking hell does that Say, Ooh, I know, I'll open it up. Ooh, it's nice and big. Okay? Now you can't market it to old people, okay? But if lots of old people have heard about it, they'll go, Ooh, that's just what I've been looking for. Okay? I can finally do now. What I think is happening in media is you're now, let's imagine if McDonald's, well I think they've done this a bit, started saying it's cheaper to serve people on a screen than it is to serve people face to face.

So in future, we're only interested in people who will order on a screen. Okay. You're losing a whole load of custom. Okay. Slightly less efficient, slightly as profitable, custom, but who knows? Okay. By and shop. Okay? You want to sell to as many people as you possibly can. That's how big brands grow, right?

And your occasional customers are really valuable and your occasional customers will go, what the fuck's this screen? Can I have a Big Mac please? Okay. Now what's happened in the media world is your, your defining your customer, your customer base by who will click with ads in low cost channels. You're not actually saying who could potentially benefit from having this product or service.

[01:39:00] Let's go out and use whatever media is available to go and find them. And in some cases it'll be a bit expensive. American Express was built on direct mail, right? Okay. Not a cheap medium, but you know, I mean most charities actually exist because of physical direct mail. Instead, people are optimizing for efficiency, not for opportunity.

And they're going, we're only really interested in these customers. We can get really cheaply now. It's hardly surprising that marketing's in crisis if people think that the main function of marketing is to be as inexpensive as it possibly can be, rather than to be as effective as it can be. But that is literally strikes me as being a self-fulfilling prophecy.

You'll start to define your customer base by the people who will click on your ads in, you know, in, in inexpensive ways, rather than those people with whom you can embark on a profitable relationship over time by becoming part of their solution set.

Richard Shotton: Yeah. And it's often a mis quantification. Like the, often the media that looks like it's performing best in a [01:40:00] really simple analysis, let's say, is, is is branded search, you know, or you are on Amazon and it's someone who puts in alchemy or the choice factory.

What they, what that measurement doesn't do is net out who is gonna buy it anyway. It's, it's often a very expensive tactic if it was measured properly.

Rory Sutherland: No, no, no. 'cause of course, I mean the, the famous thing, I think, I'm just trying to remember who said this, but the most cost effective form of marketing is to wait until there's a queue outside your restaurant hand.

Everybody a 50% off voucher. Okay. Because you get 100% redemption rate. Okay. But the, now, you know, if you're advertising for, let's say let, let's say you're the Marriott Group. Okay, well, there are people who would've otherwise stayed in another Marriott hotel and you are accounting them as just as valuable as someone who is gonna stay in an Airbnb.

But they saw your hotel ad. Okay, well patently both in the short term and in the long term, those two forms of behavioral change are not equivalent in their value. Especially not in the long term actually. Yeah. But you are [01:41:00] treating them as though they're completely, you know, the same. Yeah. And it leads to all these, and actually one of the, cause one of the consequences of this is that you, you probably know John Sills and his work and the, the foundation and all their work on customer service being in crisis, that's because it's very hard to quantify quickly the value of customer service improvements, whereas it's very easy to quantify bottom of the funnel intervention.

Right. Well, I like your analogy of the, well you call it the dormant fallacy. Hmm. Which is the, where you, you define the value of the doorman as someone opening the door. Okay. And you bring in McKinsey or something, and they go, well, you pay your doorman X thousand dollars a year. We can, we've defined his role as opening the door.

We'll replace him with an automatic door opener with an infrared device where the door slides open when people walk up. And we've just, and then, by the way, did you know this consultancy firms engage in something called a gain share agreement? Mm-hmm. Where they are entitled to a percentage of identifiable [01:42:00] cost savings.

Now, as Roger Martin, I know I quote him a lot, but he's the air to Peter Drucker. He's, he, he's a guy who's a strategy guy who fundamentally believes that value is created on the shelf, not in the factory. Okay. That's the way to describe me. He's brilliant and proven and, and done a lot of work with aj l aj, Laffy and P&G mean, fantastic guy.

But the dormant fallacy, what you are doing there is the consultancy then comes in and claims 8% of the identifiable cost savings, and then six months later, basically your rack rates fallen off a cliff and their vagrants asleep in your hotel entrance because the dormant wasn't just about opening the door.

Okay? That was how you defined it for the purposes of automating the role. But actually, people aren't just their role. People have all kinds of values. So a doorman is part security, part recognition, part status, part ca taxi hailing part. Good to see you again, Mr. Jay, you know, all that stuff. Okay. All of which people value.

And actually opening the door is merely the official, I [01:43:00] mean the, the, the great phrase from cybernetics, I'll, I'll plug Dan Davis' book, the accountability machine was the Unaccountability machine, okay? Which is it comes from cybernetics and Stafford beer, which is the purpose of the system is what it does.

And what tends to happen in business is you have an, an organization which is intended to do something, and everybody assumes it does. And nobody looks at the second order effects and realizes that actually the problem with your finance department is it's actually killing off more opportunities than it is reducing costs.

Which seems entirely plausible looking at most, most organ. And the purpose of your procurement department is to prevent you buying anything innovative. Because they need to actually have a, like, for like comparison between three identical bidders before they can appoint anybody. You must have had this with procurement, right?

They come to you and go, how much does it cost to do six press ads and two TV ads? And you go, well, it's pretty stupid question to begin with. Okay, but okay, let, but let's look at your problem because maybe that's not what you need. So you go in and you say, actually you can put a sticker on this hat [01:44:00] and it will solve the problem at a 10th the cost.

And they go, we're not interested. We want you to quote for the more expensive solution so we can compare it with everybody else's. Now that's just bullshit. 'cause we mentioned this about innovation, nearly all innovation is a reverse benchmarking thing. Mm-hmm. Where at some, usually at some cost to the status quo evaluation of a category you are dramatically better in another category, which has been here, the two overlooked.

So, and by the way, sometimes it's, it's sometimes I think there's a cycle. So when I went to school. The rich kids would come back after the school holidays and go, oh, I went Skippo Airport. It's amazing. I bought Walkman. It's fantastic. They've got shops and everything. And then it was Changi in Singapore, then it was Dubai, you know, I went, it's amazing their shops.

It's brilliant. You can do this, you know? No, no, no. Frankfurt Airport. There's a sex shop. Ha ha. Okay. There is actually Dr. Muller's, the Germans, the Germans respect qualifications so much that they even require their sex shop operators to have qualifications. Yeah. No one in [01:45:00] Britain cares whether Anna Summers has got a PhD.

Right. Okay. But no, Dr. Muller. Okay. Right. Anyway actually Beatta Za, the other German sex shop operator was actually a Luva pilot. Quite interesting. That's a pivot, isn't it? Wasn't.

But the interesting thing, I completely off where I was going now. Oh yeah. And then they come back, oh, it's amazing. They always shop. And then gradually over time, every fucking airport in the world became a shopping center with some planes. And then you've got people going, been to London City Airport, it's brilliant.

There are only five shops. You get through it in 10 minutes. And so literally one of the things you can do is probably accept the fact that for every trend there's gonna be a countertrend and actually swimming against the tide if, if you've got the resources to survive, can be a really, really good strategy.

'cause I will always fly through London City app. I'm going actually a couple of weeks time I'm gonna go fly down. I've actually gotta fly to Portugal and I'm actually flying to Malaga and driving. 'cause I'd rather go through [01:46:00] London City Airport. I don't mind going to Heathrow for a long haul flight.

Right. You know, you're gonna be on a plane for 10 hours being at an airport for two and a half. That's not totally wacko. But if you're only gonna be on the plane for half an hour, you know, an hour, an hour and a half, navigating those bloody great airports, a massive total misdirection of kind of effort.

And so, so, so I mean that, that question where. Actually nearly all innovation is effectively is unappealing to procurement because it will involve a, it will involve a worse dimension on some component that people are currently measuring and comparing you on, and a vastly better component in something that the procurement person hasn't even factored in.

Okay, so we said this about the first iPhone, the shit battery life. Okay? Electric cars, by the way, I mean, have you gone, have you gone electric in your

Richard Shotton: Not, not yet.

Rory Sutherland: Thanks. You're not one of these fucking lenders where your fucking bicycle, your fixy, because we're in shortage. You've probably got one of those bloody fi anyway, but you've got electric.

What? What you get?

MichaelAaron Flicker: We have a Tesla.

Rory Sutherland: Brilliant. Brilliant. Yeah. Now the thing [01:47:00] is, it's just a better car. Yes. Okay. I mean, okay. In nearly every dimension. Performance, quietness, comfort, drivability, et cetera. So you've managed to achieve in a reasonably affordable car, what you might call that synthesis of performance and comfort, which previously you could get in a petrol car, but you had to buy a Bentley or an Aston Martin or something.

Okay? You had to spend, you know, you had to spend big money to get a comfortable quiet butt. Nippy vehicle and the electric vehicle, because the electric motor is inordinately more efficient than the internal combustion engine. Internal combustion engine is about 25% efficient. Electric motor, about 80% efficient.

And also the electric motor is invented here in London by Michael Faraday. It's a proper British thing, whereas the, the internal combustion engine is an infernal German contraption with needless complexity, in my opinion. Okay? Anyway, but there's this one thing which is fucking range anxiety and recharging time now factored against all the other things of how [01:48:00] nice it is to drive, et cetera, et cetera, et cetera.

So I've just written a piece for the evening standard where, okay, let's imagine this in reverse, right? Where all cars are electric and we're all nipping around in little electric cars and recharging. And this rogue Volkswagen engineer comes up with, I've got a better idea. Okay. It's massively complicated.

You put a huge tank of an flammable liquid in your car, right? And then it feeds into these cylinders where we engineer an explosion, a series of explosions. Now, unfortunately, it only produces torque in a limited range of, of, of the revolutionary cycles. So we'll need a thing called a gearbox, which we'll need

oil for, and then we'll need an air filter, and then we'll need a water filter, and then we'll need all this stuff and, and it's gonna be vastly more complex.

So you go, is it, does it perform better than an electric car? No, not really. No. Okay. Is it quieter? No. No. Quite the opposite. It's fucking noisy as hell, right? Is it cleaner? No. No. It's farting stuff outta the back. Right. Okay. So right. Okay. So okay. Is it simpler to make? No, no, no. They're 250 [01:49:00] moving parts in the drive train.

I know the electric cars only have seven, but this needs 250. Right. Okay. So what's the upside? Well, you can refill it really quickly. Can you refill it at home? No. Obviously you can't refill it at home, right? You're not gonna have a fucking petrol. Paris, are you fucking insane. You're not gonna be able to refill this thing at home, right?

No, no. You'll have to go to a special place, which by the way won't just be a little thing on the side of the road with a rapid charger. It'll be a massive thing selling Ginsters and Mark Spencer. Basically that guy's career is over. Right? Okay, you go. Okay. So the N 0.05% of the population who routinely drive 350 miles a day and have such enormous bladders that they never need to stop.

They're going to benefit slightly from this insanely complicated engine, but the rest of us are gonna have a horrible time. Now, I don't really see this is gonna fly. Okay, so this is literally, now the other thing is that the really exciting thing about electric cars at the moment, we're at the intermediate [01:50:00] stage where electric cars look like cars, but actually things like the Citron Army or the or, or the electric cargo bike, or my real fantasy, the electric jet ski.

Oh, okay. Whoa. Because actually the dirty secret of power boats is that the difference in a boat. And a and a car is that you run it on Max Revs. Okay? So when you drive around a pub, it's more efficient to run it as a consequence, unless you have a sort of oligarchs yacht. It's unbelievably noisy, okay? As a mode of transportation.

It really is. You know, it's just, there's this scream of the engine all the time. Imagine if you, you know, you're in a Ferrari and you're running it at like 8,000 or whatever. Okay? Awful. Okay? So all these things are gonna be electrified, and we're gonna get like little micro pods and we're gonna get the Heathrow pod, and we're gonna get all these wonderful things.

That's the really exciting thing in the moment. We're just electrifying what we've already got. But there's the opportunity for a kind of Cambrian explosion

and innovation if we just shift this thing, which won't happen with, with internal combustion engines. I mean, you know, if you [01:51:00] think about it apart from maybe a lawnmower, you now don't own anything with a, with a combustion engine and your electric toothbrush, et cetera, et cetera, right?

The reason is the electric motor is an unbelievably fabulous, brilliant thing, and the internal combustion. Now I will on aesthetic grounds defense, steam locomotives, just in terms of sheer beauty, okay? If you're gonna be a purist about this. But then you realize that car people, I mean, you have the I Love Top Gear.

I thought it was a fantastic program. I thought it was brilliant. It was as much about friendship as it was about cars. The whole thing was magnificent. Okay. But the one thing that really drove me crazy is when they test electric cars and they drive them till they ran outta power. And you're kind of going, you could've done that with any of the petrol cars you had for the last fucking 25 years.

Right. You know, this new Aston Martin DB nine ante. It's not very good. 'cause we kept on driving it and we refused to stop at a petrol station. And now look, we're stuck by the side of the road. Well, we've all had actually range anxiety in a petrol car once or twice, of course. Okay. It's not unknown. Okay.[01:52:00]

And I, I, I've, we've run two electric cars for three and a half years. I've had range anxiety of any significant extent once. Okay. And I suddenly realized, well actually with petrol that happened once every three years and you can charge it at home. Right. But that's the other point. If you wouldn't need that many petrol stations, if everybody had a little hose pipe at home that produced like three pints of really cheap petrol every hour.

Okay. Not that many people would be charging up a petrol station.

MichaelAaron Flicker: That's right.

Richard Shotton: Well, your thought experiment for the evening standard article is, is a fascinating one of. How much of what we do is about path dependency in the state's quo bias. And if you look to many areas with, with fresh eyes, if, if the current way of doing it was,

Rory Sutherland: the story I tell is a great one.

Now, I'm not saying I know the right answer. I'm saying you don't always invert, right? 'cause you're a big Warren and Charlie fan. I was intrigued Charlie. I, I suspect that Charlie was every bit as decisive as Warren was because

MichaelAaron Flicker: I think Warren would say that even he probably, I think [01:53:00] he would say that

Rory Sutherland: somebody I know also met Warren and Warren gave, you know, we were talking about luck earlier and Warren said before I met Charlie, the really decisive person was my first wife who got me to get my shit together.

No. So, so you know that that kind of lucky, you know, the, the, you know, you know, you can imagine if Warren had married someone different Yeah. The whole thing would've been, you know, actually no, he'd still be living in a really boring house driving a, a 10-year-old car. I think so. But he wouldn't have had the net yet.

MichaelAaron Flicker: Right. So Rory, we were having a very interesting discussion about how behavioral science can be scalable for people at any level, size business to use. You wanna share some thoughts on that

Rory Sutherland: effectively because it concerns decisions. Anybody who's in a position to make a decision, whether you are designing an application form or developing a strategy, it's completely scalable, which is one of the things I love about it.

It's a game everybody can play. It's not one of those things where it can only be deployed by a certain proportion [01:54:00] of people within the organization. Anybody who has the power to make a. Well anybody who has the power to make a sometimes counterintuitive decision, or at least the power to consider an alternative explanation, has the power to use behavioral science.

So ideally, you know, what I'd like to see is, rather than being a practitioner, I'd much rather see it infuse general decision making within organizations where people are both more content to consider the opposite or the alternative or the less conventionally rational solution or explanation. And where they're also prepared to test things which may seem utterly trivial to someone who has a kind of mechanistic mind, if you like.

Mm-hmm. Mm-hmm. You know, someone who has a mechanical view of the world would regard a variable as beneath their consideration, but it might well

be the variable that's actually decisive. So what, I mean, one of the things I always notice about creative people in advertising is they don't have a sense of proportion.

Mm-hmm. Okay. [01:55:00] And it's actually a feature, not a bug, because they're aware of the fact that, you know, a precise human expression or a phrase, or a word added to a sentence can make the difference between significant success and meh. And so having a sense of proportion going, this is the important stuff, this is merely executorial, I think is a, is a natural tendency in hierarchical organizations.

But actually I think behavioral science needs to fight against that. What's important isn't necessarily what's expensive.

Richard Shotton: One of the examples I love of that is some of the work you've published on trying to generate donations for Christian aid. Hmm. Can you just talk about the, the stuff actually work.

Rory Sutherland: So we tested they door drop volunteers, door drop envelopes. People put money in the envelope during Christian Aid Week, and then the volunteers come around and collect the donations either by credit card or, or cash. And we tested six things, and we quite often run this as a test with a, with a live audience as it were, which is which of these changes, including [01:56:00] orienting the envelope from landscape to portrait using a higher quality paper using the labor illusion effect, saying delivered by hand, you know, in other words, establishing a personal message.

And we tested six different variants. And what's interesting is the only one which is mentioning gift aid, which is that the government actually boosts your contribution so that for every pound you give, you're actually giving one pound 30 or whatever. That was the only rational, economically rational motivator, fascinatingly, that actually depressed response and depressed the overall donation level.

By, by contrast, two or three of the entirely trivial seeming things including the reorientation of the envelope. By the way. That increased donations by about 14% using higher quality paper. Now you can imagine. In a charity, it's really, really hard to make the case without an AB test for using better [01:57:00] quality paper.

But it communicates to people at the tacit level of, you know, what, what, what's basically, what's felt without being thought. Okay. And one of the things

I think we notice now, for goodness sake, one of my colleagues may tell me I'm wrong here, is that the high quality paper has attracted significantly more higher donations.

And maybe there's just something slightly incongruous about putting 50 quid in cash in a really cheap effort. Mm-hmm. Okay. It could be literally as banana as that. What's certainly true is that that experiment more than paid for the cost of the paper. And so there's a tendency to engage in, because economics is effectively newtonian and therefore there are single right answers.

In economics, it's often very convenient for any group of decision makers in business to pretend that econs exist and pretend that the world is Newtonian because it's very, very quick to get instant acquiescence and agreement because everybody's singing from the same rather boring song [01:58:00] sheet. Okay.

It's not a very harmonious song sheet. It's, you know, but it's nonetheless the same song sheet. And consequently, I think, you know, quite often there's this sort of thing you might call sort of fictive rationality. Let's pretend that everybody's economically rational. 'cause it makes life so much easier for us when deciding what to do.

What's so fascinating about that is we tested things, which in some cases people go, well that's, you know, you are, you are effectively adding irrelevant information to this envelope. My propensity to give to someone in Africa should not be affected by the fact that the envelope was delivered by a volunteer by hand.

Okay. But it is. Okay. And that's because the amazing thing about the human brain is that it can effectively absorb information from lots of different sources, sometimes consciously, sometimes unconsciously. And in many cases, the information is in a completely incommensurable form. Okay. And yet we somehow resolve this into either action or inaction, or [01:59:00] some cases, a perverse reaction.

And fundamentally because the brain does not really work through additively. Okay. Multiplicative maths is much more helpful here because there are, there are tiny little things which seems as though they should be actually utterly irrelevant, which turn out to be weirdly decisive. Beautiful idea of, this is a very, very good marketer in the, he's actually currently the marketing director of Preso who is the mark McCulloch.

And we were talking to a chain called Chai Waller, and one of the things we both said is obvious atoms. People will look at that name and they'll assume you only sell chai. A lot of people don't like chai or aren't in market for chai. One thing you need to do if you're any kind of food restaurant that isn't McDonald's is you need to make explicit on the awning or on the outside what it is you sell.

If you sell burgers, say burgers. If you sell pizza, say pizza. And [02:00:00] so the guy, very good guy, very good. Younger client said we're already changing that. We're gonna put Indian Street Food Cafe on the front and Mark McCulloch, this is, this is why it's a joy working with the kind of people you sometimes get to meet.

He said, actually, I put Indian Street Food and Cafe. He said, now you've got two things. People who like Indian Street food and people who like cafes. Yeah. Okay. Whereas if you're an Indian Street food cafe people, I don't like Indian Street food, so I'm not gonna go into that cafe. Mm-hmm. Now that addition of a monosyllabic word, you know, multiplied across their a hundred locations is gonna make a difference.

And, and it, it, it's one of those things where, you know, it's always joyous when somebody basic basically makes a point where for the first 10 seconds when he first said it. Oh, you see what I mean? Yeah. It's that wonderful discovery of things which I can only describe as obvious in retrospect. And by the way, with all those Christian aid experiments, we can all post rationalize why they were okay, gee, they may not even be the real reasons, but I don't [02:01:00] think there's a ultimately the value of behavioral sciences, it gets people to consider alternative explanations, alternative courses of action, and to test things they otherwise wouldn't have bothered testing.

And that's the principle economic value of all this is that it's healthy mischief making. Yeah. In, in an empirical

Richard Shotton: form. Well, well that point of post-rationalization, you mentioned saying right at the beginning, which I didn't realize. You said you'd often done presentations where you show people the six options and you ask them to predict what will best boost donations.

What do most people claim and which one do they most underestimate?

Rory Sutherland: Some we've very rarely had actually in that case, it's quite interesting because what I occasionally say is actually, in this case, most of you're rights because all of them work better than the control. Okay. Yeah. So

actually there's another, there are other examples we occasionally share where people get it diametrically wrong.

Mm-hmm. And, and by the way, you know, even having studied a lot of behavioral science and having worked in direct marketing for 20 years, all it's done is really, I think it's improved my hip [02:02:00] rate, but I will still get things hopelessly wrong. I mean, there are occasions where. Again, we've gotta be very careful 'cause we can always post, rationalize every result and we tend to assume that the result, that the explanation that makes the most sense is the one that's therefore true.

But we've gotta be very careful about that. Because, you know, in terms of the, in terms of the, the orientation of the envelope, was it that people were frightened if there's a long flap that the money might fall out, you know, or is it just that it resembles a pay packet? So it seems more natural. But what's fascinating is that what's also fascinating about those findings is that most, actually all of them are not mutually exclusive.

So next time round, you can actually enjoy what Charlie Munger used to call a lollapalooza effect, which is you combine various behavioral things in combination where they might well be, they won't be wholly multiplicative. I'm not, I'm not gonna suggest if you combine all of them will double the donations, but you would reasonably expect that [02:03:00] using the, the, the ones in combination would work even better.

Still.

MichaelAaron Flicker: I'm gonna move us to another topic because I want to try to hit a few interesting things before we run out of time. Before the show started, we started to get into artificial intelligence. It's a hot topic amongst all business, but especially among marketers. Richard and I were talking about how do you see behavioral science evolving.

Because of ai. And let's start with that. In a, an increasingly AI driven world, algorithmic world,

Rory Sutherland: you can emphatically train AI models to understand and make allowance for behavioral science. I would argue that it isn't yet anywhere near hi the, the level of human creativity. Mm-hmm. So we always call Nudgestock a festival of behavioral science and creativity.

Richard Shotton: Mm. And the, although Indian Street Food, cafe Cafe.

Rory Sutherland: Right. [02:04:00] Okay. And the reason we always call it that is because we regard the tour as not inseparable. Okay. But they, they work best in combination. Yes. They're effectively a hot dog and a hot dog role. They're complimentary goods. And that what often AI will do.

I, I don't believe in process. I believe in checklists and AI will sometimes remind me of things that I, I would otherwise have overlooked. Generally, it tells you what to do, not how to do it. Now, I know there's a whole load of ai, which will be able to produce you know, fantastic imagery, but a really, really creative leap into the unknown.

Now we've gotta remember most of it's trained on the past. Okay. All AI data training data comes from the same place, the past. And therefore, if your aim is to do something significantly original. Then that particularly sort of Bayesian approach can make progress, but it can't make a leap, I think. And sometimes the answer is to take a fairly banal thing.

Let's take the pratfall effect. Yes, I [02:05:00] think it could understand the pratfall effect. Would it necessarily come up with reassuringly expensive? Well, it would now 'cause reassuring. The expensive already exists. Okay. It could well do it now. Could it have come up with it had such a thing existed in 1974? Not sure.

Richard Shotton: Genuinely

Rory Sutherland: not sure. Yeah. Yeah.

Richard Shotton: But of course, this is another way of looking at it. We've, we are talking about how AI can help behavioral science, but you could do it other round how behavioral science can help ai. Ah, yeah. And you mentioned in that previous Christian aid discussion, the labor illusion.

And there's an amazing 2023 study from Kobe Miller at VRU where he shows people posters and he gets 'em to say how much they're prepared to pay for them. And what he does is show people the same poster, but he changes the labeling. So sometimes he says it's hand drawn, sometimes generated by ai, and it's a phenomenal switch in valuation.

It's about 60 odd percent.

Rory Sutherland: The effort, the human effort that's put into the creation of something

Richard Shotton: that's more valuable, hand drawn is perceived as more valuable [02:06:00] than AI generated. And he says, this is due to the labor, labor illusion. You know, people assume, well, that their experience with the chat GPT, it spits out blog posts, it spits out ideas all the time because it's created so quickly, they rate exactly the same thing as lower value.

So you could take that behavioral science principle and say to Bill, look, if you are gonna use ai, if you are gonna speed up your product delivery, what you've got to keep on doing is reminding your audience of the effort that went into the creation of the AI systems or, or, or the protocols.

Rory Sutherland: So actually you will probably have AI artists who do put in a huge amount of work to generate what they generate.

In the same way that, you know there are the tools and there's the talent and there's the effort. I mean, there's some very strange things about the valuation of art. There's a brilliant thing on YouTube, which is a discussion between Mark Kearney. Now, of course, premier of Canada, former governor of the Bank of England, and Damien Hurst.

And Damien Hurst makes this really interesting observation about art, which is he said, when I produce a [02:07:00] crystal skull coated in diamonds, okay, and I tell people, this is what it costs. They all wanna know what the diamonds cost, and yet they'll pay 150 million for a Leonardo. And they know it's just made of worthless canvas and paint, and they don't care.

No one asks for the paintings. It may be with sculpture, okay. You know, maybe people go, what sort of marble is it made of? But with art, it's accepted that the value is entirely separate from its raw materials. Whereas in, in, for example, a diamond studded skull people go, yeah, but how much do you pay for the diamonds?

It's kind of weird, isn't it, in a sense. And of course, the curse of the advertising industry as we've always been paid on labor, on essentially on what it costs you to do this, not what the value of what you did.

Richard Shotton: Yes. And one of the stories we came across writing the Hacking Human Mind was a great example of that and a creative getting round it.

So that's the famous example of Citibank. So Citibank brief pentagram to come up with a new logo. 'cause they've just merged. Yeah. And [02:08:00] in the

briefing meeting Paula Cher sketches out the umbrella logo. And eventually, you know, this is what they hand back to Citibank as the the, the finished goods.

And they're like furious, like, you know, how can you charge us a million and a half pounds for something that you knocked out in 30 seconds? And her, her later response was, yeah, it was 30 seconds delivered in 30 years. Yes. And I think it's that shift from not how long did the actual work take? How long did it get me?

How long has it take for me to be in a position to do it in, in 30 seconds?

Rory Sutherland: Yeah. There's a famous thing isn't there, about the chap who repairs the production line. Yeah. He says in the invoice, and it's for marking one short cross, \$1. Yeah. For knowing where to put it. \$9,999. And there's a similar case, I think the guy who designed the Fendi logo did it on a napkin and handed it over to, I'm assuming it's Mr.

Fendi. Yeah. And invoiced him a million dollars. And he paid Yeah. Because Mr. Fendi knows. Value rather than [02:09:00] cost. Yeah. And also the person's talent and so forth. Mm-hmm. There's also a case, a famous case, David Ogilvy heard that a client had spent thousands and thousands of dollars designing a new logo and said, well, we would've done it for you for like, you know, 25.

We would've done it for you for a few hundred dollars. The guy said, I know, but we would've argued it to death. But they, they, I think management consultancy works the same way that it's a massive commitment device. It's like an engagement ring. We've spent so much on these wankers, we really have to follow through on what they recommended, even when, to be honest, most of it is information they derived from us.

Okay. It's a kind of, you know, it's a kind of burning your boat strategy in a sense. Yeah. It's equivalent to or Odysseus tying himself to the Mars. Yeah. Yeah.

MichaelAaron Flicker: Two more areas we want to hit quickly. Area number one. Are there new frontiers or areas of behavioral science that you feel haven't been fully explored yet?

Haven't been applied for the yet?

Rory Sutherland: Massive, massive areas in terms of the [02:10:00] application of technology in line with things like human fairness. Now, let give you an example of this. At the moment, if my car overstays, its welcome, it'll have a fine of a hundred pounds, okay? Mm-hmm. Now, I would argue that to a, a, a human.

Okay. The concept of what is a fair fine for a parking infringement is highly variable. Right? So overstaying, if you paid for four hours and you overstay by 10 minutes, a hundred pounds is not fair. If the cost of parking there legally would've been three pounds 50 and you'll find a hundred pounds, that is not fair.

Okay. If you repeatedly park in the same place without paying a hundred pounds is totally fair. If you pay regularly and legally to park in the same place, but one day in a hundred, you forget a hundred pounds is not fair. Yeah. Now, it is possible to use all the data okay. That you have with a parking app to actually be reasonable with what the actual infringement charge is.

But what we've done is we've made the thing entirely black and white and [02:11:00] context free, which is if you break the rules, you're liable to pay a hundred quid. And I, and I think that's it, it no human being would enact rules with that degree of lack of nuanced context and flexibility. And so what we're often doing with technology is we're creating, I, I don't think speed cameras are fair in the sense that, that the, you cannot genuinely say someone's guilty of an inflection without some wider contextual information.

Okay. I mean, it's three o'clock in the morning, it's a dual carriage way. The speed limits 35 40. Okay. And you go at 48. Okay? There are no pedestrians 'cause it's dual carriageway. And no, there's no traffic on the road that is not a particular, you know, that does not deserve three penalty points. Okay? And so the extent to which we're creating a world where we are powerless to resist decisions taken effectively, where no human being is accountable for the consequences of the decision.

That is terrifying. And I mentioned earlier this thing about ai, which is that [02:12:00] people don't necessarily want to be told the perfect thing to do. They want to be given a selection to choose from. People don't necessarily want an answer instantaneously. If I'm planning a holiday in Greece in 2026, I actually want, I might want the process to extend over three months, what I call slow ai.

Okay? There's a potential application for ai, which is just a turbocharged concierge service where I go, I'm 59 years old. Is it worth me spending the next 20 years of my life if I live that long? You know, endlessly trying to master new

prompts and codes and new, new models. Or should I employ one 20th the time of a guy who's really good at this stuff, who really likes kite surfing to go and live in the Canary Islands and answer the phone to me.

So, is there actually a, a way in which what you should do is create a turbo butler rather than creating a robot? Mm-hmm. Don't. But it, I mean the, the, this is the great point, which is that one of the things we know is, and this is the whole thing on which A KQA was based, the [02:13:00] interface determines the behavior.

What is the interface? You know, or, or choice of interfaces. And we still don't know that for AI, we don't, you know, is it, is it a mixture of voice and visual? Is it, you know, do I chat to something and then it shows me pictures of the hotels in Greece? Do I go, actually, I quite like that one. Can you look for a few more like that?

But then it will always have the, the mouse to bring in a few wild cards. If you talk to, okay, this is the really interesting thing. You talk to human estate agents, real estate agents they always say people come along with a list of criteria for their house. They end up buying a house that meets some few or sometimes none of those criteria.

It's very, very rare that they have no wiggle room in making a trade off between one thing and another thing, and that's if you like the miracle of human psychology, which is that we can compare things that aren't, you know, does it have a balcony? Does it have a garden? Does it have a garage? You know, is it next to a pub?

Okay. We can compare those things and trade them off in a way that no mathematical model can [02:14:00] actually do. Mm-hmm. It's very interesting. I always regard an interesting sort of what you might call it, a test case of AI as being the sat nav or the GPS. Mm-hmm. Which is sometimes it's very creative, it suggests routes.

I never would've thought of. I don't necessarily literally follow its instructions unless I'm in a position of total ignorance. Okay? If you put in the wrong prompt, it can get things catastrophically wrong. You know, you end up as one friend of mine that in Cambridge, Gloucestershire, not Cambridge, England.

Okay? And I also occasionally like to look for alternative suggestions because it may be considering things like speed, time, distance, and ecological efficiency, but not considering things like scenicness or the fact that there's a KFC on the

route. Okay? So occasionally I'll go and look at the, the two or three next page routes to go.

Will I trade off seven minutes of journey time for the fact that you keep moving rather than you get stuck in traffic? Yeah. I'd rather drive at 30 miles an hour constantly for seven minutes longer than [02:15:00] being in stop go traffic. It's not factoring that in. Okay. So at some level, the, this is, this comes down to the Ian McGilchrist master in his emissary, left brain, right brain hemispheric hypothesis, which is the human brain is divided into two for very good reasons.

And that part of the brain is designed to deal with the specific and the quantifiable and the actual, and the other part of the brain is designed to deal with the possible and the contextual and the I suppose the world of wider possibilities.

Effectively what we have created is, is I asked Ian, I said, why is it that this left brain dominance happens? And one of the sort of theories, you know, he has is that it's the need to win arguments that in an institutional setting, you've always gotta win arguments and pretend you're right in order to get anything done.

Yeah. And that one thing I really hate about [02:16:00] rationality, okay, is in the construction of a rational argument for a course of action. Implicit within your argumentation is the idea that not only is this a good idea, an interesting idea, and something worth testing implicit is the idea that anything else is wrong and suboptimal.

So what you are saying when you're rational is not this is a really interesting idea, which is worthy of exploration. You're saying anybody who disagrees with me is fundamentally wrong. And you then end up with that sort of James O'Brien, where you construct a rational sequence of arguments. You arrive at the conclusion you desire to begin with, and then you declare that everybody else is an idiot, simply because you are able to find a rational part, rational sounding pathway to the destination you wanted to reach.

Okay. And it's. It's very dubious. Yeah. Because is that the destination you wanted to get to? If you'd started somewhere else, where would you have gone somewhere different And actually, you know, the best we can probably do [02:17:00] in decision making. I mean, it's very interesting that people like Jeff Bezos have a very interesting decision making style with things like the two-way door idea.

Yeah. Yeah. That there are many things that it's cheaper to test them than it is to argue about them. Mm-hmm. And actually everybody hated Amazon Prime. Brilliant, brilliant psychological idea. Everybody except Jeff hated the idea. Absolutely hated it. Okay. Luckily, he was in a position to override them. I, I've often asked a question, why do so few other companies copy the idea?

Okay. It's kind of interesting, isn't it? Because it's a proven model that people seem to really like, pay one's benefit many times. Yeah. Okay. You know, it, you know, it's a, it's a really, I mean, Amazon call me back that button if you've got a problem. I don't know a single bank or institution that's copied that.

Yeah. Okay. Now, and I actually asked someone, they said, oh, we couldn't really do the cost benefit analysis. I said, you've done that already. You've proved already. 'cause Amazon does it. Amazon tests everything. Amazon is a fast feedback business. If it works for [02:18:00] Amazon, the odds are massively stacked. That'll work for you.

Why do you have to prove everything? And the burden of proof that's being imposed by finance is becoming an absurd obstacle to doing anything. 'cause you, you know, you, there's no proof about the future. Okay, by definition. And people are literally demanding sort of a level of granularity of kind of you know, of, of proof, a level of specificity that's simply ridiculous.

I mean, there'll be some great marketing ideas, which you can basically say, yes, it worked. Now you mentioned, interestingly, that with one bank you work for Yes. The advertising campaign worked fantastically for the whole bank, but it didn't look that great at the level of the individual bank department.

Richard Shotton: Yeah. And it was those individual bank departments who held the funds so that the overall optimum approach never occurred far less than it should. So

Rory Sutherland: it's the

Richard Shotton: the, the whole difference

Rory Sutherland: between the whole and the sum of its parts. Yeah. Right. Yeah. Effectively you created a corporate structure where the [02:19:00] parts were more interested in the parts

Richard Shotton: loans than they were.

The whole only cared about their direct loan sales. So doing any activity that benefited everyone in quite a small way was off, was off the table.

Rory Sutherland: You also get that apparently there are companies that should advertise much more than they do like Starbucks apparently. And the reason is, of course, because you've got a franchise model, it's impossible to impose where the costs come and everybody would much rather spend the money on themselves than on the collective Good.

And so this is the whole thing about the central nervous system. You know, part of the role of running a business is effectively to overcome those silo effects. So that people are prepared to subsume their own narrow short-term self-interest for the benefit of the whole. Which is kind of why I think, and actually that's a great book by the way.

Jillian's book, the Silo Effect, really, really interesting book. She's an FT journalist and anthropologist. So the combination of the two is fascinating.
[02:20:00]

Richard Shotton: Yeah. I thought you might have mentioned Uri Gneezy who's written this amazing book. We're interviewing him in a couple of weeks mixed signals and it's a whole book around how incentives are phenomenal things when used right, but so often they backfire 'cause they're poorly thought through.

Rory Sutherland: No, I mean, actually I think that a lot of the ways in which people are incentivized to work creates absolutely pervasive effects. Mm-hmm. Because people will gain the system to an extraordinary extent. Yeah. For example, we all know the examples of sort of Cobra Farms in India. Yeah, yeah, yeah.

And actually the mixed signal thing is very, very interesting indeed. Also, it fails to signal any kind of relationship between the employer and the employee because it's effectively saying, you're only as good as your last quarter. We have no interest in you other than at the transactional level, which is completely contrary to the kind of culture you'd want to foster if you wanted your employees to go the extra mile or put in.

And of course, it, it, it, it, it needs, I mean it's very interesting [02:21:00] that Goldman Sachs within Goldman Sachs is a highly socialistic organization. My friend who worked there said that what impressed him is that you got a request

from the guy in Goldman Sachs, Bogota, and you are in Goldman Sachs, London.

And nobody said, okay, who's paying for this? You just put in the work. Yeah. Very, very high levels of reciprocation. And now obviously, you know, outside Goldman Sachs, different story, but within the actual organization it operates at a highly collaborative level without, you know, the demand for the apportionment.

Now, it probably helps that the guy who runs Goldman Sachs in Bogota in four years time is going to be the president of Bloody Columbia. Okay. So it probably pays to make a bit of extra effort for that reason, but nonetheless, it's, it's very interesting that they had a very, very strong culture that nobody asked who's paying for this?

You automatically helped each other out.

Michael Aaron Flicker: Bringing us to the final question, we always like to end Rory with with a question that hopefully gets us thinking and gets our listeners thinking. [02:22:00] If you had to think about all the mistakes you've seen over your years

Rory Sutherland: Oh, or made. I I've got No, no, no, no. I mean, one of the things is that you, there's a value to getting things wrong so long as it's survivable and manageable.

Okay. Yes. There's a brilliant case in one of our clients where they'd spend a load of money trying to launch a premium cider and it had all failed and everybody was getting into the sort of blame game, and they finally report to the CEO, who goes, actually what we've learned in this failure is easily worth 5 million pounds.

You know, we've actually learned a hell of a lot of, you know, to quote Edison Yeah. We've learned 20,000 ways not to make a light bulb. Right. Actually, you know, next time round. If, if, now this is the important thing, by the way, the rogue bees, the, the, the scout bees have to report back. Yeah. If they keep their finds secret, it's no good.

If you share the information and it feeds back into the waggle dance, that's no longer, actually we call it a trade off. It isn't a trade off. It's two complimentary parts of the same system working harmoniously together. It's a [02:23:00]

western mindset that sees any entity doing two apparently different modes of behavior as being necessarily a trade off or a conflict.

It's not, I mean, I think Asian, the Asian mindset would grasp that much more quickly. I've got a Hindu friend who accuses the Westerners of monotheism. You have to have one theory, theory to explain everything. As he said, he said, my mum goes to a temple in India and there's an altar there, and on the altar there's an elephant, there's a monkey, and there's Jesus.

And there's no conflict or contradiction in this at all. Okay? Mm-hmm. Part of the same. Yeah. And what we've done is we've created this sort of false rationalism where there actually has to be a right way. And it has to be one way. It's rather what I say about the modern office. Okay. Everybody tries to optimize for the average, and you end up in the open plan office.

What you actually need in an office is half library. Half pub. Yeah. Okay. Half of it look, should look like a studio. Okay. You know, horses being rode, ridden by naked people, and the other half should be a place of [02:24:00] extraordinary, you know, quiet and solitude. I, I

Richard Shotton: Heard you say once before about a decision making approach of like the Romans or the Greeks, where they would decide on something sober and then they'd get really drunk

Rory Sutherland: Persians.

Richard Shotton: Persians, and according to erotic,

Rory Sutherland: they debate the same thing twice. Once while sober and once while drunk. And they'd only go ahead if they approved of it in both states. So that, I mean, that's an interesting case. There's also an argument, someone at King's College London I spoke to that human neurodiversity is part of the explore exploits trade off.

Mm-hmm. That if you have a group of 150 people in your Dunbar number, okay. Yeah. And they all think the same way. It's fundamentally dangerous. It absolutely pays to have, you know, the Asper guy and the A DHD guy who are, and actually I would argue the funny guy. Okay. I'd actually argue that humor probably plays a role in some sense.

It could be error correction, it could be alternative framings, but humor is an incentive to look at things differently. [02:25:00] And so. So, so I, you know, I'd

make a very, very strong case that actually Neurodiverse teams will probably, they may, maybe a pain in the ass to work within, but they probably perform produce better results ultimately.

MichaelAaron Flicker: With that, we wanna say thank you for joining us. A huge pleasure for us as well. Thank you. And for everyone listening we'll produce all of our show notes. All the book references will be in our podcast.

Rory Sutherland: Oh, I love that you do that.

MichaelAaron Flicker: Oh, absolutely. And for people to,

Rory Sutherland: a long list. It's a long list.

And also the website of Keir in seven notes.

MichaelAaron Flicker: Yes, yes, yes. Of course.

Rory Sutherland: My new principle of the guest gets to advertise.

Richard Shotton: That's right. Come wearing a shirt.

Rory Sutherland: Yes, exactly. Various, various different brands.

Richard Shotton: Good.

MichaelAaron Flicker: Thank you everybody. And until next time, I'm Michael Aaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: Thanks for joining us.

Rory Sutherland: It's been an absolute joy.

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