

The Underground Marketer Podcast – Episode 32 – Full Transcript

Introduction 00:00:03 Marketing, explosive growth, and revolutionary secrets that can catapult your business to new heights. You're now listening to The Underground Marketer Podcast with your host Tudor Dumitrescu, the one podcast devoted to showing new businesses, how to market themselves for high growth.

Tudor Dumitrescu 00:00:24 Welcome to the underground marketer. This is the place where we deliver the real truth about marketing and explore big ideas that can help new businesses thrive and grow into big ones. I'm your host Tudor. And today it's my distinct honor and pleasure to welcome Rory Sutherland to the underground marketer. He's the vice-chairman of Ogilvy UK and the author of *Alchemy: the Magic of Original Thinking in a World of Mind-numbing Conformity*. Welcome, Rory!

Rory Sutherland 00:00:54 It's huge pleasure to be here. Thank you very much for inviting me.

Tudor Dumitrescu 00:00:57 Thank you for being on, Rory.

Rory Sutherland 00:00:59 I will just caveat that. I'd say this. Isn't the only advice for small businesses, which ones are growing big. It's also, it's worth remembering that some small businesses want to remain small for lifestyle reasons, but the other thing is for businesses that either want to grow or want to be resilient or want to have simply an easier time of it. And so, uh, you know, an easier and more profitable time of it. But I think growth is, is, is important, but it's not actually necessary, there are wonderful businesses that have no aspiration to grow above a certain size. And that's perfectly reasonable.

Tudor Dumitrescu 00:01:35 Absolutely. I totally agree with that many entrepreneurs. They want to grow to a certain level where they can get the lifestyle that they want. And from there on, you know, they, they just want to have a nice life. They're not so focused on business anymore.

Rory Sutherland 00:01:50 A reasonable, philosophical approach. I don't, this is at all.

Tudor Dumitrescu 00:01:54 Yeah. Yeah. Me neither. So I'm starting with that. The thing is I've watched your Ted talk and I've read your book. And the thing that fascinates me is I think that you are a very interesting person and your ideas are certainly very interesting and thought-provoking. So I'm just curious a bit about your background and how you first got involved in advertising. You know, if you studied something similar at university or how you first got involved in this field if you can share with us a bit about that.

Rory Sutherland 00:02:23 I got into advertising by chance to be absolutely honest. Okay. Uh, my parents weren't particularly rich. I didn't have an underprivileged background by any means, but one thing that did appeal to me about advertising is if you drew that Venn diagram where you had reasonably lucrative jobs and reasonably interesting advertising along with medicine, which I wasn't qualified for, and a few other things, absolutely sat at that intersection of being interesting. And yet reasonably well-paid finding one or the other is quite easy. Finding both is rather more difficult and I'd always loved advertising as a kid as well. It was something

funny enough, in one of my very early school careers advice lessons we filled in a questionnaire. And I think advertising came in the top three of jobs I should consider. And I was very, very lucky, extremely lucky because I applied to various advertising jobs.

Rory Sutherland 00:03:22 I had three or four-second interviews with agencies from university and the job I eventually got, I was eventually only offered one job, but it was with a company which was then called Ogilvy and may the direct, this was in 1988. Although I didn't know it at the time there couldn't have been a better place to start. David Ogilvy himself always recommended that everybody who worked in advertising should spend the first three or four years of their career working in what he called the direct response advertising because it was measurable. In other words, long before there were randomized control trials in medicine or in economics direct response advertisers like Claude Hopkins would effectively, it, it started with AB split tests and press advertising where you put a code in the coupon. So you could tell which advertisement who generated, which response and measure the relative efficacy and effectiveness of two different creative approaches or different media approaches.

Rory Sutherland 00:04:22 For that matter. One of the things you learn very rapidly in direct response advertising and bear in mind, I was doubly privileged, but it was not only resigned in a direct response agency. I was in probably time along with perhaps Ogilvy, New York, and Wunderman the world's best direct response agency. And so you could learn from people like Drayton Bird who is still active by the way, there's still a genius in my opinion, and is still, uh, you know, uh, he walked, he then had a lifetime of experience in direct response advertising. And one of the things you learn very quickly, which is why direct response advertising is a gateway drug to behavioral science and behavioral economics is Tuesdays. I think, uh, one that, um, surprisingly tangential and oblique and seemingly irrelevant factors in an advertisement can make an enormous difference through the response rate. In other words, what people are doing when they replied to an ad is not really what they think they're doing.

Rory Sutherland 00:05:25 They're second-guessing. A lot of things, a lot of unconscious processes come into play then using a lot of heuristics, for example, even without their own awareness. The second thing you learn is that amazing, which is related is that remarkably trivial things can make an enormous, I'll give you an example of this. We, we launched an American Express card, which gave you airline parts. This was fairly, this was fairly early on. There was an American Express card where you collected membership reward points, which you could put towards your airline miles by a balance. If the letter came from the airline with whom you already had a relationship rather than coming from American Express and mentioning the airline. So the body copy was identical. It was simply the logo on the envelope that made a difference. The response rate would be something like seven times higher in the first instance than in the second.

Rory Sutherland 00:06:18 Now a rational person wouldn't pay much attention to that factor. They joke about, you know, how much the product costs, what the product did. Are we adequately describing the utility of the product in the advertisement, but tiny little facets like this, the person mentally think of this as an extension to an existing relationship, or do they consider it to be a new relationship, makes an enormous, I mean, totally decisive difference to the efficacy and the communication. And so one of the things that, um, working in direct response does is that it gives you a very strange lens on what is important and what isn't, which can, by the way, make you very nice to other people because other people view it as this person has no sense of proportion, because he's obsessed about this one detail. Whereas he's ignoring the more important question of how much the product costs, but you learn this very, very quickly

because as David Ogilvy pointed out, you know, one of the things that, um, uh, direct response advertising does is it does teach you what works.

Rory Sutherland 00:07:29 And so, as a result of this, you simply have essentially every the way I described direct response advertising to into two ways, okay, it's an immensely well-funded social science experiment because you get to do these tests at launch scale paid for, by a client for whom the activity is profitable or self-liquidating, or the same way. I describe it, as I said, that working in direct response advertising, which is where I still work. Really my, my headspace is still there. 30 years later, it's the Galapagos islands for understanding human behavior. That the way in which we often make progress is exactly as Darwin made progress, which is a process you might call abductive inference. It's not, it's not induction or deduction. It's what Charles Sanders Peirce school inductive in adaptive inference, which is where you notice anomalies. And then you hypothesize about what might give rise to them.

Rory Sutherland 00:08:24 And what Darwin did is he wandered around the Galapagos islands, which was an area particularly rich in evolutionary peculiarity in the same way that Australia was. You know, when you discovered Australia, you suddenly discovered a whole new set of life forms like the duck-billed Platypus or whatever it may have been or the kangaroo that you'd never previously envisaged. And what Darwin did is what he asked the question, what would have to be true in order for all these finches to have completely different beaks, according to the foliage and the plant life, that happens to be common on one particular island versus another term. If what else, curtain dark called backward reasoning. The murderer inquiries are the stag. Okay. Uh, it's not induction or deduction. You say we have a dead body. That's an unusual state of affairs. What might the prior conditions to be, uh, in order for this condition to pertain?

Rory Sutherland 00:09:22 And it does involve off a necessity. It involves imagination. It involves hypothesizing imagining because you don't have all the data that's necessary to solve the problem. It's not as simple, a number-crunching problem. It's a problem where you have to ask the question, what would have to be true if, and it's a particularly valuable mental facility to develop because I think as Conan Dollar Mark, everybody can do it, but most people don't develop the, the facility because in most business settings you're rewarded and promoted on your ability to practice induction or deduction. In other words, it's much, much easier to get fired for being illogical than for being unimaginative. And the grazing, I only discovered in retrospect about advertising is it's one of the few fields where that rule doesn't really apply. It's actually, you can't get fired for being unimaginative and it's forgivable to be seemingly illogical as a value of the ad agency.

Rory Sutherland 00:10:20 I think doesn't really lie predominantly in producing advertising, although that is a valuable activity in and of itself, its real value is that it creates a slightly strange parallel universe within the business world where it is encouraged and permitted to practice abducted inference rather than simply looking at some research findings and responding logically can. I think it's very, very important because the number of business jobs where the practice of reasoning backward, uh, actually, you know, police detective work would be another one, but the number of jobs where that is the principle determinant of success in your career is remarkably few. I think there are areas of finance where, where it happens by the way. I'm not, I'm not suggesting that advertising has a monopoly on this. I think entrepreneurialism is inordinately driven in its early days by abductive inference and imagination. Absolutely because you're typically imagining a kind of business, which in many

cases doesn't make sense in advance and where in the most extreme cases of entrepreneurialism, there's no stated human demand for what it is you offer.

Rory Sutherland 00:11:32 And there is no business currently existing, which offers what you do. So therefore the evidence for the success of your business in advance is actually very, very shaky. It requires this leap of faith to advertising people. I think, I think possess that character and it's encouraged in them. I think the people, both successful and unsuccessful, entrepreneurs because sometimes you get it wrong, you know, w you know, by definition, when you move into the unknown, that there is a greater risk of catastrophe, as well as a greater chance of disproportionate success, you know, you're playing at higher stakes when you do that. And I think that's true of advertising, to be honest, I think it's a probabilistic activity, not a deterministic activity, but it is notable that outside entrepreneurialism and a few specialists, careers, the encouragement of this particular mode of thinking isn't common.

Tudor Dumitrescu 00:12:26 Yes. I totally agree with what you said. So it's very interesting. The, the concept that CS pers put forward with a dot abductive reasoning because to me, induction and deduction are both sort of things that we do when we have a map, right? And we do induction when we extrapolate from the map and we do deduction inside the map, but adaptive reasoning is going outside of the map and discovering something new. And I think that the modern world has too much of a fascination with science and with certainty to the point that we call it,

Rory Sutherland 00:13:06 Just to caveat that really great scientific advances almost always arise from a productive inference. I agree. And I said, the microwave oven, whatever, whatever you want to quote, it's time, just notice is a strange thing and ask the question why that's why I cited Darwin, but you're absolutely right. I think the nerd world and the consulting world is if you like an outlaw, you know, if you like a kind of a suburb of the nerd world, where it's becoming rapidly, a suburb of the nerd world attempt to create this creativity free environment in which everything can be optimized using sequential logic and, and pre-existing data. And I think it's an extraordinary delusion, nearly every really successful business. I notice, you know, if you wanted to look for a common quality of really successful, fast-growing business days if they did not make sense at the time they were created, if I dice, I know unbelievably, there was a market for a \$700 vacuum cleaner.

Rory Sutherland 00:14:09 If you look at five guys, no one thought you could charge \$10 off \$12 for a burger in an environment that was no more exotic than a McDonald's. In fact, if anything, it's slightly more rudimentary than a McDonald's. So in terms of the interior of the restaurant, okay. No, one's thought before Nespresso, you could charge 60 pounds for a cup of coffee. You make yourself at home. Okay. No one really thought there was a market for these things. There was no evidence for their popularity. And in many cases, I think if we were to rewrite, you know, good to great, and all those books, quite a lot of the companies that were absolutely highlighted as being great were singled out for particular qualities. But then when someone did the, they discovered that lots of failing companies possess those various statements. And so it was an, it was a monster case of selection, bias, survivorship bias, really that you just take selective, you take successful managers of successful companies.

Rory Sutherland 00:15:05 You ask what they have in common, and you don't have a comparison set because there are lots of great well-managed companies that fail. Okay. No, no, no about that. Okay. But what I think is interesting that the really successful entrepreneurial companies usually possess some component, which requires a leap of faith or a hunch or a

well-informed insight or piece of information, which they know that nobody else does. And what I noticed differentiates the creative mindset and advertising, and also the entrepreneurial mindset is how you value information. And there's a lovely story of John Haggerty being taken on a tour around the Audi factory. And everybody else is looking at the machinery or they're looking at, you know, the manufacturing process or whatever it may be. And Haggerty sort of is obsessed with this sign that says forced from Dirk technique, which is, which for many years has been the end line for Audi and in the UK and how he wants to know what it means.

Rory Sutherland 00:16:07 Nobody else noticed that bloody side, right? And advertising people and entrepreneurs disproportionately value, not what everybody knows. If you're a bureaucrat, you want to know everything that everybody else knows because you might be blamed for not knowing it. And also by making decisions based on common knowledge, you defend your decision-making. Okay. We know all these things, therefore we're doing all these things and it produces a wonderful career defending logic. And decision-making what I noticed about entrepreneurs. What I also noticed about crazy people, copywriters and art directors and advertising is they disproportionately value things that they know that nobody else does because they realize if you want to differentiate yourself distinctive knowledge, that's also true in finance. Of course, the, the knowledge you have that nobody else has gives you a comparative advantage that is many times greater than knowledge, which is generic. And by the way, that knowledge, which is generic may well be actually wrong.

Rory Sutherland 00:17:08 In some cases, it's just a common assumption that has been made in a category for 20 years without really being questioned because it is seemingly logical. You know, I mean, I'll give an example. If for example, you had a product that wasn't selling and you decided to reduce the price. You could get that approved by a board within 10 seconds because it's seemingly logical. It's consistent with that existing assumptions around how economics works. One time in four, that might be the worst decision you've come back. Okay. That actually what you need to do is put the price up, but the amount of arguments you would need to actually win in order to try and rescue a flagging product by increasing the price, okay. The amount of arguments you'd need to go through and the consequences and punishment you would enjoy where you to fail in that endeavor would be 10 times greater than simply doing the logical thing that everybody else would do under the same circumstances. Do we have an inherent tendency to do what everybody else would do, even though what often makes a business successful is distinctiveness in each page predicated on slightly different assumptions about what humans want and want to need to everybody else's.

Tudor Dumitrescu 00:18:27 Yes. I think the key here is discovering something new, you know, successful businesses, much like when you're successful in science, you always end up discovering something new. And like you say, I think that there is no given method that you can use that will always give a successful result. I mean, you've cited fair Robin's book against method. That was also one of my favorite weeds. And my biggest takeaway from there is that there is no methods that can guarantee you success in science in that case. But obviously, I think the same thing translates to business, entrepreneurship and advertising. There is no method that you can follow that if you just follow it, you're always going to get the right result.

Rory Sutherland 00:19:10 I think the thing is that human behavior, by which I mean in this case, customer behavior is driven by meaning and context and not, it's not driven by objective reality. Okay. And therefore, even whether something is expensive or cheap is driven by what we compare it to. It's driven by context. It's driven by contrast. Okay. I'm sitting here in my, I've got a little flashy deal, which is a coastal town in Kent right now. I'm not quite next. Let's see I'm

one block back from the sea. I can't afford beach property, but what's interesting is that the high street is absolutely packed with artists and shops, selling loaves of bread for four pounds. As a reason for that, I think is that people come down here for the week. Okay. Or they come down for a weekend. And so then it's a holiday, but they haven't spent any money on flights.

Rory Sutherland 00:20:03 They haven't spent any money on car hire. They, in many cases, haven't spent much money on property hire and they want to lock the special occasion to make it feel like a holiday, but buy more expensive things. I see airport retail is a classic case. Okay. I actually advise people, never buy anything of that sort because your mind turns to mush. Okay. But we will buy a hundred-pound pair of sunglasses at the airport, which we wouldn't contemplate buying at a high street shop. And so once you understand this, that you can generalize, but individual context often determines the difference between success and failure. Then you start to understand entrepreneur there's a much, much better, nothing. Cheers me up more than seeing a restaurant. Four restaurants fail four times in a row at the same location. And then the festival one succeeds. It happened in my local town.

Rory Sutherland 00:20:59 Okay. Then open up markets got an upscale, fairly fancy restaurants in this town failure after failure after failure. And then the guy who ran the local combat shop opened a fairly up market Turkish restaurant to replace the four kind of high-end European foods, restaurants that are replaced it and turn it into a massive success. Now, what are the reasons for that? Now you could say simply that there was none tap markets for high-end Turkish food at the time, which is probably true. You could probably, you know, but equally you might say the restaurant was in a very bad location. It was very difficult to park. It was on a sort of steep hill. You'd often have to park 200 yards down the hill. I would argue that there's something about ethnic food, which will drive a kind of level of determination in the eater. Okay.

Rory Sutherland 00:21:51 That isn't true about fancy food. The fancy food is often bought to show off to other people you're dining with. It's not actually for its intrinsic enjoyment. High-end fancy restaurant food is often done to signal sophistication. And so the coughing facilities and how easy it is to get there. And all those factors might be far more determined to have success, that ethnic food, which is bought to be equal, but it says it's, it's very, very interesting because it always fascinates me looking at a tiny little mistake that can kill a business. By the way, this isn't just about finding out trivial little things that can make you disproportionately successful. That's obviously a useful thing to do. It's also understanding tiny little things that can totally perfectly describe business. And in the case of fancy restaurants, fancy restaurants in suburbia, that don't have easy parking. In other words, you can't turn up with your mother-in-law and all the other people in tow and show off to them about, you know, a highly, you know, without, without a major parking crisis.

Rory Sutherland 00:22:58 Okay. You're not going to make that succeed in the same way I recommend to coffee shops. I always recommend to coffee shops, even if it's raining or it's quite cold outside, leave a few waterproof tables and chairs outside the building. If you're allowed to, nobody will sit back the purpose of the chairs and tables. Isn't for people to sit on them. It's from 200 yards away. If you see chairs and tables outside of building, you know, that coffee is available and you know that the place is open, but these, if they were closed, they would have taken the chairs and started.

Tudor Dumitrescu 00:23:31 I remember that story from your book. I think you shared it in there as well with a coffee shop and the chairs. Yeah.

Rory Sutherland 00:23:37 What was, what was lovely about that story is someone came to me with a beautiful anecdote, which justified what I was doing. And they said me and a few friends worked in a coffee shop, but we didn't own the coffee shop. And we wanted to get away at four 30 or five o'clock. Okay. And what we really like to do was to clean the coffee machine a bit early, you know, and to get the place, what we didn't want was customers coming in 10 minutes before closing and then staying for 30 minutes because it would prevent us getting home on time. And they said they left the trick, which is all you have to do was stack one on two chairs upside down on top of another chair. As if you were about to sweep the floor. You didn't have to do it with all of them.

Rory Sutherland 00:24:20 If you'd done it with all of them, your boss would have come in and you would have gotten into trouble. Right? If you suddenly just backed all the chairs away, you would've gotten into trouble. They said, all you have to do was take one or two chairs and stack them upside down. And nobody came in and ordered Everett. NSA, is there inference, this place is about to close. They won't be sitting around for 30 minutes. Yeah. And so that was all you had to do to prevent anyone coming in and buying any coffee. So coffee shops, which start cleaning up. Okay. Or start getting ready to shut down before closing time, uh, throwing away a huge amount of revenue, but they may not be aware that they're doing anything wrong.

Tudor Dumitrescu 00:25:01 Absolutely. So I actually had one question that I meant to ask you at this point. So, um, I'm not sure if you're familiar with Renee Girard.

Rory Sutherland 00:25:11 Absolutely. He was at Stanford. Yeah. He was. I think he was a Jesuit priest if I'm remembering that, right?

Tudor Dumitrescu 00:25:16 Yes. Yes, absolutely.

Rory Sutherland 00:25:17 And religion was a very big influence on, I think people like Peter Teal and the Stanford entrepreneurial folks, because he essentially believed the perception was a collective act. The, when we perceived something, we didn't actually perceive what we thought of it. We were just as likely to perceive what other people would think.

Tudor Dumitrescu 00:25:40 Yes. We copied other people's desire. Yeah.

Rory Sutherland 00:25:43 Now it's ironic, of course, that he's at Stanford. But as I was talking to Steven Pinker last week, I was interviewing him for the spectator. And I'm just having a bit of a go at Steven Pinker big at Harvard, which my argument is that Harvard is now and most of those prestigious universities are now a branch of the luxury goods industry that effectively is the educational arm of Louis Vuitton. Okay. And the argument there is in luxury goods and in education. Okay. Credentialist education. We're not trying to buy a product. We are trying to buy a peer group. And therefore the question we ask ourselves is not, what is the best university we ask ourselves? What does everybody else think? Isn't the best university. And that's why it's almost impossible to dislodge Harvard from its barring. Some absolutely massive scandal involving, you know, a huge pedophile ring that other involves 70% of faculty it'll be even that crime wouldn't do my child.

Rory Sutherland 00:26:48 It's very, very difficult to dislodge luxury goods from that position of preeminence. Because in order to change their value, you don't have to change what one person thinks about it. You have to change what everybody thinks about it and you have to do it

simultaneously. Okay. In case for that, we're operating in the opposite direction. In order to make video conferencing successful, we kind of needed a pandemic because we need everybody to start video conferencing at the same time. And to notice what was good about it. Because when I call a video conference, okay, this actually has major implications for, uh, innovation in 2018. Okay. If I had a two-hour meeting in Frankfurt with a client, the normal, polite, conventional thing to do was to fly Frankfurt for the day, suggesting a video conference was abnormal and slightly rude. It suggested I couldn't be bothered to fly to Frankfurt.

Rory Sutherland 00:27:48 And so the way I phrased that was flying Frankfurt was Coke. Okay. Having a video conference was Dr. Pepper because we do things according to what they mean and not necessarily what they mean to us, but what they mean to other people. Okay. Because we buy things for their meaning. All right. The interesting thing is that what changed in 2022, having a video conference will be Coke and flying to Frankfurt will be Dr. Pepper. Yes. It required a simile Tania's in forced immersion in a new reality for that change to take place. So if you close down Harvard for 10 years, okay, you would indeed find that somewhere else. And I'm going to Stanford as an interesting case because Stanford is, is a case, which I suppose there are, there are other places you get very specialist universities in a particular field like Waterloo in Canada. There are certain universities which are hugely interested just for art or for music. Okay. But it's very, very difficult to change collective minds simultaneously. And so those brands in the luxury space, which we're effectively buying, not because of what we think of them, but of what we think everybody else thinks of them. It's very, very difficult to dislodge them.

Tudor Dumitrescu 00:29:09 Yeah. I think that the mode that is created by, um, brands in these situations where the value is mainly driven by people's opinion and the majority's opinion about something they're very, very difficult to change for this reason. And I mean, something, some big external factor has to come into play just as you said, with the pandemic and video conferencing, to be able to change that,

Rory Sutherland 00:29:34 What if it would have happened, but it would have taken 10 years, much

Tudor Dumitrescu 00:29:38 Slower.

Rory Sutherland 00:29:39 Yeah. It's worth remembering that almost every new product requires the buyer of a significantly new product to risk looking very weird. In the early days of adoption, I've just been writing about this. It's just mobile phone on Oxford street in 1989. People showed you the abuse of me, uh, from the streets from car passing cars. I didn't make the call. Someone called me, I answered the phone and someone shouted ranker at me that she pulled out the window of the taxi and shouting ranker. Okay. Right now that's a very interesting thing because if you are an early adopter of video conferencing, you have to spend a hell of a lot of time arguing for its merits. Nobody who flew to Frankfurt had to argue for that because that was the default behavior. And I think that managed there, our point is very, very interesting indeed, because I think that understanding, I think he lent the Silicon valley that understanding that there's a kind of moat. Okay. And one of the interesting things is that what this means is that actually education should increasingly high-end education should increasingly be looked at as if it were part of the luxury goods industry, because it's credentialism.

Tudor Dumitrescu 00:30:55 Yes. And I think that the deeper point, sorry to interrupt here. But I think that the deeper point that you are makes is that messages and basically copying

each other and copying each other's desire, ultimately leads to some form of conflict because we cannot possess the same goods that others possess.

Rory Sutherland 00:31:14 And by the way, it also needs to a tragic thing, which I think, okay, I love big televisions. Okay. Now big televisions almost have negative status. They didn't when they already rent expensive, but once things become cheap, they lose their status signaling capacity. And the tragedy there is that we underappreciate things which are actually genuinely useful and extraordinary because everybody else has them. And we disproportionately invest effort in status goods, which might be actually to be honest, rather stupid. But I mean the conflict, for example, you would, you would predict which you get is what you might call the rich cool conflict in property, in the property market. That when an area becomes too rich, because rich people want to live where other rich people want to live to an extraordinary degree, I would argue. Then what unfortunately happens is barrier with too many rich people in it then becomes boring.

Rory Sutherland 00:32:15 So you get what you might call the, the upper east side, Brooklyn conflict, where the interesting people go, well, I can't compete with these people on money, but I can compete with them. And when I'm calling us, so what, what, what I'm done. I think this is very interesting that, of course, in a sense, mass production was an interesting solution to that problem. Wasn't it? Because there are certain categories, those in technology and products, which are mass produced, which are pretty egalitarian in a weird way. So if I gave you a billion pounds, okay, you could enjoy far better access to the property market than you currently have, but actually your gaming wouldn't really get much better with it. Yeah. There's nothing much better. I get it. What is it? A PS five or I'm naming, you have some sort of high-end gaming laptop. You may not be into gaming at time.

Tudor Dumitrescu 00:33:06 Not interesting.

Rory Sutherland 00:33:08 Could not know, but interestingly, the best argue we can argue about what the best mobile phone is or the best, but the best, the best gaming platform for the best mobile phone is available to millions of millions of people. Okay. And a second-hand, two-year-old version of it is available to millions and millions of people more. My brother's an academic. He makes less money than I do. He ultimately has the same tech as me. He just gets it two years later. And so you might argue that they do, but I think, I think his idea that because we, on the other hand, yes, he probably would reduce conflict if different people wanted different things. If we didn't have this, what does Girard call it? He calls it. It's basically a theory of perception. Isn't it? Mimesis. Everything where automatically and unconsciously see it through other people's eyes as well as our own.

Tudor Dumitrescu 00:34:01 Yeah. So he, he, he thinks that our desires aren't authentic, you know, we don't decide what we desire, but rather we copy our desires from others. So if we see somebody desiring something, let's say that we see a man desiring a woman, we are inclined to find her more desirable as well. And the paradox here, uh, and the important point that grr makes is that it's conformity. That brings about conflict because the more I want to get the same woman and the more I become, like my opponent, my rival, and the more I become like him, the more I enter into conflict with him, even though I think that I'm completely different from him, I'm actually the same. And I will end up using the same tactics. This is very visible in war, right? Because both nations are going to see the other's terrorists, the enemy, blah, blah, blah. And they're going to use very similar tactics against each other. And the things that they're very different, but they're actually becoming more and more alike.

Rory Sutherland 00:35:02 Well, you could also, you can also argue that you get very strange conflict, don't you between people who are extraordinary seminar. Yes. Like, I mean, Northern Irish and Southern Irish people, or for example, English and French people a much, much more seminar in some respect. And they'd like to FIC, but actually, you know, sometimes we can get on better with people who are very different from us than people who are dangerously close. Yes. And, um, uh, what's uh, what is very interesting by the way is that I think Dave Snowden told me this, if you want to overcome sectarian conflict, you take people who are Northern Irish, Protestants and Catholics, and you get them to work together in Latin America. You take them out to their normal setting. And they actually suddenly realized that what they share in common is much more than what they, what distinguishes them.

Tudor Dumitrescu 00:35:53 Absolutely say I've seen the same phenomenon

Rory Sutherland 00:35:56 Geopolitics. I always give this. I would just give this joke example. Okay. In geo political terms, there's sort of hostility between the British and the Irish, but on a personal level, if you have an ex pat community, the British nourish all hang out together on a best mate. Yes. Because a common drinking culture trumps geopolitics in terms of how you get on with people.

Tudor Dumitrescu 00:36:18 Absolutely. So I've actually seen this firsthand. So I've, I've studied in the UK, actually the university of bath. So the Romanian community, there was a lot more United than we are actually inside the country. So it's fascinating how that sort of thing can end up happening and how it changes so much based on the context, because that's what ultimately changes it.

Rory Sutherland 00:36:41 So the context changes extraordinary. And I remember being in fun enough, I was in a crusher time of the, uh, effectively the war there in the, um, there's a of very briefly, and there were, uh, Northern Irish Catholics doing effectively valuable work, restoring the telephone system and they gone fine. Of course now in a different context, in a home setting, there might've been some friction there wasn't any. And um, one thing I do recommend always because this is an area of major expenditure, maybe in the fashion industry, it doesn't matter that much if you like the same fashions that everybody else does. Maybe that doesn't matter that, okay. Although actually body dysmorphia probably results from this collective consciousness that if there's a fashion for excessive Invus, okay. Is essentially leads to disproportionate, you know, body just morphism and therefore to various psychological problems with food, for example, or weight.

Rory Sutherland 00:37:43 But once again, I always advise people to do is develop, et cetera, taste in property, find out what you like that nobody else wants. Because interestingly, I think the online I wrote about this, the spectator this week, online property search forces, everybody to search in the same way. Yup. Okay. You start with a place, then a price, then a number of bedrooms and naturally you're in conflict with everybody else. Now, if you go to a completely different website in the UK to the modern house.net and you search for houses, not by location, but by architectural interest, high interest, you are now not competing with mainstream property buyers. Now I've always done this, which is I live in the roof of a row, Robert Adam House. It didn't cost very much. I mean, I'm not telling you the exact price, but it was kind of like mommy's three figures when I bought it.

Rory Sutherland 00:38:35 When I bought it in 2001, now there are only 2000 grade, one architectural buildings in the UK. You can actually live it. It's fast guest, guest housing and a hamster. Okay. Living in a great one has Robin Adam, you may not know him, but, uh, you know, he was one of the greatest British architects of the 18th century. The grandmom's about case capability brown. I didn't pay anything for this because the status in architecture is absurdly preoccupied with location because the detriment of architectural excellence is interesting. They, interestingly, if you develop the Robert Parker score for houses, so there was a number, okay, so your house could be a 10 or nine and eight in terms of its architectural excellence. All right. I think the whole property market would change completely property. Ask yourself, what's everybody else looking for. Now, some of those things, okay, you should also end up for do not go and live in an area which is dangerous if you have kids, okay?

Rory Sutherland 00:39:37 I'm not suggesting you go and live in crack alley because nobody else wants to live in and some dangerous place. There are some of those qualities, which is generally fairly rational and state requirements, but it also along with the driven by collective perception. And if you can say, well, actually there are things that other people hate that I don't mind being next to a railway line. You might argue. It's, you're very smart. The being next to a busy road, if you're planning to stay there for 20 years and cars are going to become electric, okay? You might even argue the being next to a busy road is a clever bit of foresight. If you're a blame spotter, go and live with, go and buy a place and they approach pastor Heathrow. Now the problem you face there is the selling. The property will be more difficult because you'll have to find someone who's as weird as you are, but nonetheless, if you want a property or something to live in, rather than something as an investment or something to show off, you're undoubtedly better off cultivating, et cetera, taste.

Tudor Dumitrescu 00:40:35 Yes. And I think that generally speaking, if you look for things that are more unique and that are actually suited for you, rather than following the crowd, you're open to making better decisions in a certain way. And the same thing is true in entrepreneurship. I mean, I consult with quite a few entrepreneurs. And one of the biggest problems that I see is that everybody's looking over their shoulder at what their competitors are doing. And then they try to do the same thing. Only they try to do it better. And to me, that's a race to the bottom. You know, I don't think that you're actually going anywhere with that. Ultimately,

Rory Sutherland 00:41:11 No, I think you're right. There is a book called blue ocean strategy, which rinds them out their, which is a, and the other guy who writes brilliantly about it is Roger L. Martin, a Canadian business, academic who makes exactly the same point, which is one of the things you need to understand is what things could you do that your competitors can't or no, it might be a car in that they lacked. For example, they're very interesting case if you're a smaller airline, it's easy. If you do upgrade your business class than it is, if you're a larger airline, because the investment cost required is in Northeast large. Okay. If you're a large airline, Virgin did not buy the flat bed because they thought that British airways would never buy it. And in the end, British airways, totally a standard them by buying that flat bed configuration in business class, the Virgin, his assumption was that British airways would find this impossible to adopt.

Rory Sutherland 00:42:09 So there was no particular urgency for Virgin to adopt it, but there are certain things that your competitors can't do for psychological reasons. There's often cultural reasons, not for actually rational reasons. In other words, an entrepreneur basically capitalizes on the fact that larger organizations find it almost impossible to do counter-intuitive or seemingly

nonsensical things, because the way in which decision-making operates in a large business, basically sees the quality of reasoning as a proxy for the quality of outcome. And I think this is where we get rationality wrong. We judge the extent to which an argument is rational. And we assume that the most rational argument will lead to the most beneficial outcome. Yes. The only way to judge the quality of a decision is by its consequences. And there are nonsensical things which work or they're logical things, which fail, but there's an additional problem with the logical thing, which is that it's highly likely that the logical course of action uses information, which is also available to your competitors and they will affect really meet you in the set. You know, you're effectively, you know, the great thing in military strategy is to find something in, you know, something in the ground or the territory, which gives you an unfair advantage.

Tudor Dumitrescu 00:43:24 How would you say that we can differentiate, because this is very interesting to me, but how would you say that we can differentiate between those things, which are nonsense and those things which are potentially magic because obviously some things which are irrational or don't make immediate sense are not going to end up giving positive consequences. Whereas others are

Rory Sutherland 00:43:45 The first thing to understand is that efficiency and effectiveness are not necessarily the same thing, economics, because it assumes we know what we want in advance. Okay. And it assumes that consumer preferences are stable and that the consumer's preferences is known to the consumer and advance has created a world. In which if you do something more, if you do what you're already doing more efficiently, you will be more popular with consumers. And I think one of the reasons, interestingly, John, do you, one of the reasons communism failed was that it was incapable of doing illogical things. Communism could never come up with denim or the pet rock, right? Actually because you, you know, this is Sumption that people know what they want. It is the duty of an organization to provide it at the most, in the most efficient means possible assumes. First of all, it assumes a world of what we might call methodological individualism, where the only thing people care about is what the product does for them.

Rory Sutherland 00:44:47 They don't care about what it means to other people. Okay? You start off by making that assumption. You secondly, make the assumption that people, when they buy a product will not discover new uses for the product or new value to the product, which was not apparent to them in advance, which I think was true of zoo. Because if you went into the office, then you have to go into a meeting room and you did a zoom call and then you left the meeting. Okay. You didn't really realize that zoom meant you didn't have to commute. You just thought, well, that wasn't quite as good as a face-to-face meeting. So what zoom does, it provides me with an inferior, slightly keep a substitute to a face-to-face meeting. You didn't actually realize until the pandemic forced you to experienced it. The zoom allowed you to work in an entirely new way that probably made you net net more productive. I'll give you a classic example of that. I don't think many people, although I was outline has said, when I book a taxi, what I want is a map to show me where the taxi is whilst you've experienced Uber, the business of ordering a taxi where there isn't a map, which shows you where the taxi is suddenly becomes extraordinary. Frustrating. Yes. Because your comparison set and your ranking of what is important has been mediated has been recalibrated by experience.

Tudor Dumitrescu 00:46:03 But most consumers couldn't have known this before they actually tried.

Rory Sutherland 00:46:07 Um, I personally, I think it's a failure of the imagination because I did have enough insight into my psychology to say it. What really pisses me off about a taxi is the duration it takes to arrive. It's the experience while waiting for it to arrive a personally, it did piss me off because first of all, I knew that the solution was technologically trivial. It just involve GPS and mapping, which were already pre-existing technologies. I also understood things like, for example, the ability to order a taxi without talking was surprisingly valuable, but that sounds a bit weird, but if you're nearing the end of a business meeting, okay, you can get out of the phone and order an Uber 15 minutes in advance and then continue to rejoin the meeting. And then you say, I'm terribly, sorry, my car's here. In the middle of the meeting, you cannot suddenly pick up your phone and go "my car's here".

Rory Sutherland 00:47:04 Yeah, yeah, yeah. I think you have 15 minutes. That's like, you can't do it. So there's also as temporal context to the act of ordering, which was never understood. So I had, before I figured out the map thing, I had figured out that the ability to order a taxi by text would be very valuable to pre-book and journey. And then to send a text to say, I'm ready in 10 minutes, would it be valuable because in many social context or you're on a tray, okay. You know, you can order a taxi from a moving train using an app, or you could do it using a text. If you try and do it by phone, you'll get cut off, you know, the whole, thing's a disaster. And it's worth remembering that on a phone call, the taxi isn't booked until the process is completed. So you'd be traveling into Charing, cross you going through a tunnel.

Rory Sutherland 00:47:53 You know, I don't even have to give you a credit card details in public, which no one's prepared to do. Right? So understanding, understanding, we don't have full introspective access to the sources of our happiness. And I think that, I think that also goes with Renee Gerard's insight, which is when a drug's insight is that we are much, much more effected by the opinions of others in our decision-making. Then we realized it's not only that this is important. The other important thing is that we don't really acknowledge it. We pretend exactly an individuals optimizing our individual utility. Now, the thing that always fascinates me about the range, there are figures that when I get out of the camp, the advertising festival, I can't help, but be impressed by expensive yachts, even though I am massively see stick. Okay. So I see this thing as an object of desire, he's allowed to own any kind of boat or yacht would basically be me.

Rory Sutherland 00:48:54 Okay. I suppose you argue that the purpose of this yacht is to sit in the Harbor and show off to some extent, okay. But actually crossing the Mediterranean and a super yacht, I would feel significantly ill half the time Dr. Johnson, you know, there's not yet philosopher who can enjoy the two fake pavers. If you feel like shit, you know, it doesn't matter what the actual material circumstances are around view. You can have all the Volvo enters naturally the seats, the cocktail waiters you want, but you're still feeling. So, I mean, the point about capitalism and markets, by the way, is there an evolutionary mechanism which only decides survival on the basis of what works, not on the basis of what makes sense to the advance

Tudor Dumitrescu 00:49:39 And not on the basis of what other people say or think.

Rory Sutherland 00:49:42 Yeah. And also not on the business of reported, wants or needs, but on the basis of what it turns out, people really want, even though they didn't realize it beforehand. And that was a great problem with communism. It wasn't that he was stupid. The great trouble with communism is he tried to be two in January.

Tudor Dumitrescu 00:49:58 I, I definitely agree with that. I mean, the focus was so much on efficiency that, and on following a certain, you know, I think that this is the big problem when you mix authority with a sense of certainty, because that means to me, that sort of like having a map, right? And then you're driving your car, but you're only looking at the map. So you're not looking at the road, but you're only looking at the map and driving your car and that doesn't work because you mistake the map for reality. And you end up talking a lot of decisions that simply don't have anything to do with the context that you actually find yourself in.

Rory Sutherland 00:50:36 Well, funnily enough, to go back to my earlier property pipe, one of the things I say to anybody who wants to buy property in London, one of my staff I'm pleased to say has bought place in part to the Southeast of London. First of all, get the two back out of your head is the tube map shows you tube lines, but it doesn't show you railway line. Now, most of south love that is served by above-ground rail and trap, not by tubes. So people think in London because it's on the tube, that fuller is central and follow commands, a premium price in the London property market for them. So fast, bloody west, it should have its own time zone. It's a suburb of a lot, right? You can go on living Hearn hell or gypsy hell, or you got in there on one of those places.

Rory Sutherland 00:51:23 And then secondly, they always look at the two lights through the letters of optimality, not the men's of optionality. And this is something that the same talent tells me that sometimes what's more important about it as a station is that if you live in a place where there are two railway lines, if one of them breaks down, you just take the other one into work. So the other question that nobody asks is they asked how long would it take me to get to work wrong question? The question to ask is what's how long would it take me to get to work using the second and third best means of getting into work? Yeah.

Tudor Dumitrescu 00:51:57 So you're optimizing for minimizing your variance, basically

Rory Sutherland 00:52:00 The magic variance. And actually, because let's be honest. Okay. Yes. Okay. Saving five minutes a day is nice, but it doesn't change your life. What is the problem is if one day in 10 you get into work 45 minutes late, actually. So I think there's something really, really important there, which is that people ask the wrong question. First of all, they, they treat it as an optimization problem, novel variance reduction problem. And secondly, they simply look at the information that happens to be it. Now, what they didn't understand is something. I only discovered when I moved at to eight. Okay. Unlike New York, all London, two trains stop at every single station. So the further out you go, the longer it takes to get you to get to work. But on the train network, there are fast non-stopping trains. So actually, if you live in Sevenoaks, your journey to London bridge is notably shorter than it is if you live further in, but you have to board a stopping tray. So the other great mistake that the tube map teaches you is that the further, the more stops the longer the journey. Now that's true on the tube. It's not true on the rail, their network. If you've got to live in open, if you've got to live in Bromley South, okay, there are trains, Bromley South is miles out of London, but there are trains that gets you from Bromley, south into Victoria in 15 minutes, that's the equivalent to like four or five tube stops, but nobody understands this because they, the map has come to replace the territory.

Tudor Dumitrescu 00:53:30 I totally agree with this. I'm conscious of the time. Would you, by any chance, have time for one more question, if you, of course. Absolutely. All right. So the final question, you mentioned something very interesting about the, about digital advertising and online advertising, which is where I work. So nowadays, roughly I would say 80% of online advertising is direct response. And in your book on the chapter on is Moxie. I think it was, you

said that the persuasive power of advertising comes from more than just the information eating parts and therefore digital advertising may appear highly efficient when it really isn't. So my question to you is what do you think we can do as digital marketers in order to turn that around?

Rory Sutherland 00:54:14 Well, first of all, we don't really have many advertising formats in digital that are designed to maximize other effects other than transactional, immediate, transactional measurement. And one reason that's important is that there's a wonderful paper, which is called the bit of advertising. That's wasted is the bit that seems to be wasted is the bit that actually works. The Dobro Rene's Gerard. We, when we see an inverse, but we don't just look at it, we consider how many other people are saying, and there's a wonderful paper by Kevin, similar about this, which suggests that advertising works through social imprinting. It changes the assumption about what is common knowledge. And in many cases, our decision-making is recursive with we're thinking about what other people think, not what we think. And so Kevin similar's paper on advertising, and he mentioned the point that if this is true, you would expect to see lots of advertised brands for things that are consumed in a public setting.

Rory Sutherland 00:55:19 Like high-end alcohol, okay. Fashion. We see a lot of advertising for that. A tech portable tech, the apple brand was never that great until it drains your mobile devices, right? Yes. Because you know, okay, you have the laptop, but apple desktops have never done that. Well because you have them at home. Nobody else can see them. Whereas the iPhone is something which is consumed in a public setting on the other extreme. You have something like hemorrhoid cream, which tends to be consumed privately. And he says, if I asked you to name a brand for bedsheets or a brand, even mattresses have a few brands. Okay. But, but there are many statements where what we actually are buying is we're not buying the utility of a brand and we're buying its messaging capability. And that requires social imprinting, which requires advertising, where we assume that what is being seen is common knowledge and one-to-one targeting.

Rory Sutherland 00:56:16 Doesn't do that. It also doesn't do costly signaling, which is these people must be significantly committed to this and have considerable faith in its transformative powers. Because if they weren't convinced to the quality and value of this product, they would spend a million pounds advertising it to everybody. Okay? So we actually second guessed the behave, the, the mental state and confidence of the seller by the money. He spends that, which is why, when you invite people to a wedding, you send it in the post and you have a printed card new. You didn't just send an email who invite people to your wedding. Okay? We understand this instinctively as human bed, but once we start imposing spreadsheets to it, we turn it into an efficiency optimization game. But a lot of advertising works either because people perceive it to be expensive. That's the costly signaling theory, or because it reframes something collectively or because it just spreads.

Rory Sutherland 00:57:14 He gives an example of, for example, the most Corona advertising will feature someone out of doors in a sunny setting. Now, what that does is it means that if I'm going to a picnic or an outdoor party or to anything in a kind of fresh air setting, I will not be committing essential gas by bringing along six bottles of Corona. It will seem an entirely consistent thing to do. Okay. And so I think that product, which is, we infer from advertising the effect it's having on other people, not only the effect it's having on the obviously of luxury goods. Okay. It's not enough for me to believe that something is a prestige car. I have to believe that other people think so too.

Tudor Dumitrescu 00:57:57 Yeah. This is all fascinating. So thank you for sharing those insights, Rory, and I know that we've gone a bit over the time. So, uh, do you have any last words that you would like to share with our audience?

Rory Sutherland 00:58:09 Yes. A very big one, which is my suspicion, is that doing brand advertising pay is more potentially than it used to simply because your competitors will find a car that you have to argue the case for doing the same thing. The second thing I would argue is the digital advertising should be used extremely heavily for testing creative and informing the creative and new product. Digital advertising is the Galapagos islands of understanding just like direct marketing used to be. It's the Galapagos islands of understanding, uh, you know, the quirks and peculiarities of human behavior on which great businesses are often built. Okay. And therefore we should use far less digital advertising in the sense of what is efficient and what is effective. And we shouldn't, we should approach it with much more, a mindset of curiosity, like what are the unexpected findings? It's the unexpected findings that actually really teach us things.

Tudor Dumitrescu 00:59:10 Thank you for sharing that Rory then, and thank you for coming on the podcast. It's been an honor to have you and to our guests stay tuned for the next episode. And until next time, remember to keep growing your businesses and providing massive value to the world. You are the reason why we're all growing richer or freedoms are expanding and we're all living in greater prosperity. Thank you.