



Dancing to a different beat

Behavioural science is the next revolution says [Ogilvy guru Rory Sutherland](#). Ashley Potter meets marketing's biggest voice

Rory Sutherland is talking about bees; he has wandered off on another amazing tangent. For somebody involved in the world of marketing, Sutherland has a wonderful breadth of knowledge. Sometimes it seems he has so much packed into his brain he can't quite contain it all, thoughts pop up mid-sentence and suddenly we're off – talking about bees.

“Some bees ignore the ‘waggle dance’,” says Sutherland. “A few people were surprised by this: ‘surely it would be more efficient if all the bees complied with their instructions so the hive could maximise pollen collection’. Then they discovered if it weren't for these rogue bees, the hive would eventually starve to death, because it would get trapped in a local maximum and be unable to adapt to changing environmental conditions in the distribution of pollen.”

Sutherland seems to be one of those bees who have been ignoring the ‘waggle dance’; he has something of the maverick spirit about him.

“I am not violently rebellious,” says Sutherland, an Honorary Professor of Behavioural Economics at Warwick Business School. “It is more my nature to sit back and surreptitiously sow mischief and subversion.”

He once asked in his Wiki Man column for *The Spectator* for all graduates with a 2:2 to apply to Ogilvy

after railing against companies only taking people with at least a 2:1 – which, by definition, wastes 50 per cent of the UK's graduate talent. “Google did the maths and there is no correlation between degree class and job performance,” he says. “Which raises some rather tough questions about education – is it largely a signalling competition?”

The son of an entrepreneur and property developer, Sutherland was brought up in Usk, a small town in Monmouthshire. After doing Latin, Greek and Maths at A level at Haberdashers' Monmouth School, Sutherland

studied Classics at the University of Cambridge. He earned – wait for it – a 2:2. Sutherland's only thought after graduating was to avoid going into accountancy, and so he chose teaching. But he then had a “minor panic attack” that if he went straight into teaching from university he would spend his entire life in education establishments.

So in September 1988 he left his job teaching Latin and joined Ogilvy & Mather Direct, the direct marketing arm of the marketing and advertising agency. He was there for 18 months as an “account man” before becoming a Planner and then falling out with his boss. So he left, simultaneously applying for a job as a Junior Copywriter in Ogilvy's creative department. Two days later he was back.

Anyway, about those bees.

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“In a sense those bees are the R&D budget for the hive,” says Sutherland, who quickly rose to Head of Copy in 1995 and then Creative Director at Ogilvy in 1997. “I do worry about business in that the drive for short-term efficiency gains (efficiency is the only true virtue that economists and finance folk understand) may come at the price of adaptability or diversity – as Nassim Taleb would say, ‘efficiency fragilises’. Economists would say ‘we don’t want all those bees wandering off, we want to maximise pollen production and have all bees follow the waggle dance’. Evolution hasn’t done that: it understands the trade-off between short-term gains and long-term survival so has continued to ensure that some of the bees just go off and do their own thing. Otherwise you will never adapt when the environment changes; you’re just stuffed.”

There you go, a warning on the short-termism of the shareholder value movement from biology’s study of bees. It is that sort of abstract thinking that crosses boundaries, which has made the self-styled ‘fat bloke at Ogilvy’ one of the most influential and intellectual voices in marketing, advertising, and increasingly beyond.

Not many advertising executives appear in *Wired* and one of Sutherland’s TED talks now on YouTube *Life lessons from an ad man* has had more than two million views. He was also in the news after spending 24 hours in a Qatari prison for smoking an e-cigarette on a plane. So he is that kind of eccentric intellectual, somebody that would fit seamlessly into the academic world and he certainly dresses like one, with his fondness for a cravat seeing him voted as the worst dressed person in British advertising by *Campaign* magazine in 2008.

“I prefer business,” says Sutherland vaping on his e-cigarette. “Business is a more scientific place in many respects than academia, because it is easier to make progress. In academia you have to be right; in business you merely have to be less stupid than your competitors, so it is an evolutionary process, more so than science.”

For somebody who prefers business, Sutherland seems to have a strange dislike of economists or perhaps, after the post-crash world we live in, a perfectly normal and rational disdain for them depending on your view. Sutherland delivers a stinging critique.

“If you imagine a world where you have a series of individual anonymous actors engaging in standalone transactions in an atmosphere of perfect information and perfect trust with stable transitive preference blah, blah, blah – the assumptions just go on and on,” starts Sutherland. “In that case you have just imagined a world where marketing needn’t exist. Then you suddenly



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understand why finance people instinctively hate marketing people – because they have a fetishised world where there isn’t any.”

Marketing does exist and does a roaring trade. WPP, which owns Ogilvy & Mather, has a market capitalisation of more than £13billion.

“Brands provide consumers with the benefit of the doubt,” continues Sutherland. “Trust is something brands contribute to, they enable purchases to happen when otherwise they wouldn’t. They enable companies to innovate more, as consumers will be much readier to adopt the innovation from brands they know and trust. Yet conventional economics hates marketing. *The Economist* finds it almost impossible to write an article on marketing without getting ‘snarky’. Economics is basically

suggesting the ideal state of humanity is a weird, individualistic, autism, but we are a much more interesting species than that.”

Sutherland’s doubts about the normal economic models of consumers ‘maximising utility’ started before the 2007 financial crash. He could see it working in direct marketing.

“That side of the business tends to be more ‘behavioural’,” says the 48-year-old. “You had adverts to which people replied by phoning or by sending in a coupon, or now going to a website. It gave you results, we saw how advertisements varied wildly in terms of their effectiveness in garnering a response.”

“It showed there was something going on in human behaviour, where conventional research or economic theory did not have a valid explanation. You might send somebody an invitation to take up a credit card and the biggest determinant of response wasn’t the APR but how the application form was laid out. We instinctively knew there was

something important going on that had not been categorised.”

But it was not until a bout of flu that Sutherland was able to discover just what his instincts were telling him.

Sutherland says: “I was stuck in bed so I read a few economics books: *The Armchair Economist* by Steven Landsburg; Tim Harford’s first book; and also a couple of books by Robert Frank, *The Darwin Economy* and *The Economic Naturalist*. That particularly interested me because I am also obsessed with evolutionary theory. It is strange and faintly ridiculous that one of the great theories of ‘everything’, doesn’t have more influence on everything from business to economics and politics.”

He buzzes off on another tangent, but it is worth following.

“We have this unhelpful narrative that we are some sort of lusty, vulgar, deeply flawed and hideous chimp which



is barely kept on the rails by the power of pure reason” says Sutherland. “I look at it the other way round, because evolution is cleverer than all of us. We are actually a rather magnificent ape with spectacular instinctive ability and a frankly rather inadequate calculator that is basically sellotaped to our forehead. I am very sceptical of the conflation of the idea of neo-classical economics’ rationality with real rationality; you can only make that claim when you have a very shallow, individualistic and short-sighted view of what rationality really is.

“Anyway, I was very taken by the best of this economic writing – especially *The Economic Naturalist*, where you view markets as an eco-system rather than a physical mechanism and I was hooked. I thought this was a tremendously useful way of looking at the world.

“I was also very taken by more conventional economic theory – and the neo-classical model is certainly beguilingly elegant – but at the same time I had this nagging doubt that... that it was kind of rubbish.”

It didn’t chime with what Sutherland had seen at Ogilvy. He had seen many times how small changes to a website or to an advert produced huge responses, he calls them ‘butterfly effects’. Economics was still not explaining these phenomena.

“We have known in direct marketing for years that there are butterfly effects,” says Sutherland. “The assumption in marketing that the scale of the effect is proportionate to the scale of and expense of the intervention, was causing us to miss the search for the cause of these butterfly effects. Instead a good

marketer should continually experiment with small things, low cost experiments, with low maximum downside and a potentially limitless upside.”

Sutherland’s second epiphany came when he read *Nudge* by Richard Thaler and Cass Sunstein.

“It wasn’t published in the UK so in a rash act I ordered it from the US by FedEx,” says Sutherland.

“I ended up with effectively the first copy of *Nudge* in the UK, other than the one that was given to the Prime Minister.”

Sutherland had discovered behavioural science, or behavioural economics, where the irrational decisions and biases by humans that have evaded traditional economic theory are explored and explained.

“When we at Ogilvy discovered behavioural science we had never heard of ‘decision-making under uncertainty’ or ‘bounded rationality’,” says Sutherland. “When we read *Nudge* and those people like Daniel Kahneman we said: ‘Phew, here is a scientific discipline around that thing that had no name’. Looking back at the people who worked with me in direct marketing in the 1980s and 1990s, we were all amateur behavioural scientists before our time.”

As well as proving his instincts right, behavioural science gave Sutherland a language and an academically researched field to put over his arguments to clients, the Board of Ogilvy and the rest of the marketing industry. Having risen through the ranks at Ogilvy to become Vice-Chairman of Ogilvy Group UK, this eureka moment also coincided with Sutherland becoming Chairman of the

Institute of Practitioners in Advertising (IPA), so he told the industry about behavioural science.

Sutherland has become something of a behavioural science evangelist, arguing “there is no point in being 90 per cent of buggar all, we would rather be 10 per cent of a growing, thriving business”. And believes it is the next revolution after the internet.

“Very importantly, behavioural economics has re-branded psychology,” says Sutherland, “because how we humans behave is not objective or always rational according to economic theory. Engineers, medical people, and scientific people, have an obsession with solving the problems of reality, when actually once you reach a basic level of wealth in society, most problems are problems of perception.

“You have to ask whether most businesses and policymakers are making assumptions about human behaviour based on very flawed models. One is market research; the idea that people can explain and predict their own actions – when we know that a large proportion of our action is conducted outside the realm of conscious introspection. Behavioural testing should play a much bigger part and research a smaller part in finding how people choose.

“Also, marketing and innovation are two sides of the same coin. If we can work out ways in which we can encourage the adoption of worthwhile innovation through better psychology that is as valuable as the innovation itself. Anybody can invent something, getting it widely adopted is the tough task.”

Sutherland reveals Ogilvy have a whole department testing and experimenting on what makes consumers choose, while it has partnerships with academics and people like web psychologist Nathalie Nahai and he trawls through the latest behavioural science research papers for ideas.

“Our slogan at OgilvyOne is ‘dare to be trivial’,” says Sutherland. “We test small things, as they may be really important and we test things that are counter-intuitive, because your assumptions of what are important to people might be totally wrong. Try putting the price up – after all behavioural science has shown in experiments that our perception of the quality of a product rises with the price.”

Sutherland’s best example of daring to be trivial is a story from User Interface Engineering, a US website consultancy, who simply replaced a ‘registration’ button with a ‘continue’ button and saw a major e-commerce company’s sales rise by \$300million in a year.

“We do get cases where our return on investment is 150:1,” says Sutherland. “You make a change to a website and the return is genuinely spectacular. Understanding how we actually make decisions and behave rather than how we think we decide and behave is really important for business and through behavioural science we have a language to attract the boardroom and policymakers.”

Thanks to Sutherland those that have not been watching the ‘waggle dance’ in the boardroom can now make a difference to every business. ■

■ Read like Rory

◆ Nassim Taleb - *The Black Swan: The Impact of the Highly Improbable*

Famed for predicting banks’ fragility and the 2007 financial crisis, the book focuses on the extreme impact of certain kinds of rare and unpredictable events and humans’ tendency to find simplistic explanations for these events retrospectively. The ‘black swan’ is now a theory in its own right. Only by accepting what we don’t know, Taleb shows, can we see the world as it really is.

◆ Steven Landsburg - *The Armchair Economist: Economics & Everyday Life*

Air bags cause accidents; well-protected drivers take more risks. This well-documented truth comes as a surprise to most people, but not to economists, who have learned to take seriously the proposition that people respond to incentives. Landsburg shows how the laws of economics reveal themselves in everyday experience and illuminate the entire range of human behaviour, though some even economics fails to fathom.

◆ Robert Frank - *The Economic Naturalist: Why Economics Explains Almost Everything*

The Cornell University Professor takes some amusing examples to show how economics can explain some of our stranger behaviours, decisions and everyday life. Using economic principles Frank attempts to explain why such puzzling decisions, like why soft drink cans are round and milk cartons square, why brown eggs are more expensive than white ones and why female models earn lots more than male models, are in fact perfectly sensible according to economic logic and the fundamental law – the cost-benefit principle.

◆ Tim Harford - *The Undercover Economist*

A rare treat, a book on economics that is captivating. The book provides an introduction to principles of economics, including demand-supply interactions, market failures, externalities, globalisation, international trade and comparative advantage. It also explains why poor countries remain poor and how China has grown so rich.

◆ Richard Thaler and Cass Sunstein - *Nudge: Improving decisions about health, wealth and happiness*

The book that spawned a UK Government department – the Behavioural Insights Team or Nudge Unit. Every day we make decisions: about what we eat, about investments, or our children’s health and education. Unfortunately, we often choose poorly. This book shows that by knowing how people really think, we can make it easier for them to choose what is best for them, their families and society. Using dozens of illuminating examples Thaler and Sunstein show how to nudge us in the right direction.

◆ Daniel Kahneman - *Thinking, Fast and Slow*

Considered by many as the father of behavioural science, Kahneman’s work on the psychology of judgement and decision-making developed many of the theories that form the basis of the field. In *Thinking, Fast and Slow* Kahneman explains his half a century of research that saw him crowned with the 2002 Nobel Prize in Economics. ■