

Thinking like Rory Sutherland

What is this?

After hearing an interview between Rory Sutherland and Shane Parrish on The Knowledge Project podcast I thought Who is this Rory fellow? He sounds interesting. Let me see if he's on YouTube.



Photo by Flickr user BetsyWeber

There wasn't a video, there was an array. Hours of content were available; TED talks, advertising talks, interviews, podcast. It was great. I dove in. After twenty plus hours with Rory Sutherland's voice in my head, I learned many things, but broadly he speaks about four big ideas.

1. Creative thinking (illogic) is hard but worth it.
2. Rationality is the wrong model to use, irrationality is better.
3. Framing and choice architecture change decisions.
4. Butterfly effects are easiest using psychology.

I also noted each book Sutherland suggested and that list at the end with some comments.

One warning, this is a summary of someone else's thinking. Rory dotted the landscape and I tried to connect the dots. I drew straight lines but there's probably an instance or two where I misinterpreted things. That said, no map is one to one model. If you want that, there are hours of good stuff on YouTube.

Ready?

Being Illogical

Rory Sutherland wants you to think different. No, that's a slogan. Hmm, Rory Sutherland wants you to think in new ways. No, that's not right either. Rory Sutherland wants you to be illogical. Yes, that's the sweet spot. How so?

Think about Coca-Cola, says Sutherland. Here you have this one-hundred plus year old company that's weathered World Wars, Cola Wars, and sugar wars. It's the best brand in the world. It has Warren Buffett's stamp of approval. Here's the challenge, how do you defeat Coca-Cola?

A logical answer looks like this. Coke's cheap so you'd need to be cheaper. It also tastes good, so your cola would need to taste better. There's also distribution, diet flavors, and other decisions. Unfortunately for you, none of these things will work says Sutherland. There's only one drink that's bumped Coca-Cola from its stand of domination - Red Bull.

“Genuinely, Red Bull makes no rational sense whatsoever. Nobody likes the taste very much. When you research it, people hate the taste. It costs a lot of money. It comes in a tiny can.”

Logically an off taste shouldn't help - but it does. We associate it as having something extra. It's why we want our cleaners to smell slightly repugnant.

"If it smells a bit crap to me it must be a bastard to the fly."

That's why irrationality makes sense. You can't make Coca-Cola better than Coca-Cola. You have to be different. But weird ideas don't get much support.

"When solving problems we are biased toward certain solutions and against other ones."

Part of this stems from our reliance on what Rory calls "a dangerous technology" - the spreadsheet. This innovation corroborated calculation. It's "given disproportionate power to anybody who can actually contrive a metric that is numerically expressible. The problem with that is that not all things that matter to people are numerically expressible in the first place."

Spreadsheets to adults are like blankets to children. They comfort us against what we fear - being wrong or monsters in closets. We may be wrong but at least we were rational and precise.

Here's another one, how do you make transportation better? Rory loves to rail against trains. He thinks people focus on the wrong thing. This starts with the spreadsheet infestation.

"It's much easier to have a metric for how fast a train is versus how comfortable it is, or how enjoyable the journey is."

Time is an easier measure than pleasure. Yet they are not equal. A two hour flight in the middle of the last row in coach is worse than a six hour flight in first class. The same is true for train rides.

"It doesn't matter if your journey is three hours or two and a half if it's useful time."

"There is no aircraft as fast as a sleeper train."

Plus, faster has to fight physics. Tracks need laid and maintained. Engines need oil and toil. Cars need cooled as a rule. Psychology though, is pliable. Which would you prefer? A two and a half hour train ride without wifi or a three hour train ride with wifi.

Sutherland wants wifi, a seat, and table.

"What really annoys me is that they make faster trains — like the high speed link through Kent for example — but there are very few tables on those trains. If I don't have a table then I can't use my laptop, I can't have a cup of coffee, I can't have a newspaper; the whole advantage of the train has been practically eradicated."

The answers are so obvious they've been memed.

Wifi - like bacon - makes everything better. That's an easy comparison. Coming up with really different things - like Red Bull - is more difficult. We suck at figuring out opportunity cost. Sutherland was at the Royal Automobile Club to meet someone and:

"I asked him, 'How much does it cost to join this club?' and he said it was fifteen hundred pounds a year. I said, 'God that's incredibly expensive.'

"But on the other hand, as an alternative to buying a flat in London it's about half the price of the council tax. You can stay there for eight pounds a night, it's got a swimming pool, a Turkish bath, three restaurants, two bars, a garden and a staff of twenty.

"Nobody ever looks, do I join a flat or do I join a club because that's a little too wide to set the comparative net."

Netflix CEO Reed Hastings understands opportunity cost. When asked what his competition was, Hastings said "sleep." This surprised people because "that's a little too wide to set the comparative net." Sutherland has another story about this, this time involving his wife.

"My wife doesn't like this because she sent me out to buy a fat toaster and I came back with a bread slicing machine instead, on the argument that we didn't need a fatter toaster, we needed thinner bread."

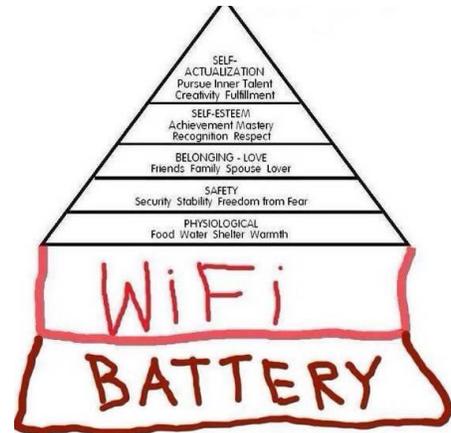
"It's amazing to me," Sutherland said, "how bad at this exercise we are." Yet this is how we get Red Bull and better trains. It's also the antithesis of the spreadsheet.

"One of the reasons stupid, or pigheaded people do well, and when they do well they do really well, is because they are ignoring all the category norms everybody else thinks are important and they're emphasizing something completely different."

It's logical to be illogical. Small ideas can have large effects. We just need to try to think this way.

"I don't think there's any huge amount of intelligence required to look at the world through different lenses. The difficulty lies in that you have to abandon four or five assumptions about the world simultaneously. That's what probably makes it difficult."

"I like to think of myself as being involved within the indecision-making process...the first way to add value is to say: 'don't assume it's like this, it might be like that.'"



Rory has an advantage. He's got career capital in an industry that values creativity. Organizations typically incentive mistake avoidance over creative genius.

"It's much easier to get fired for being illogical than unimaginative...If you pretend economists are right you'll never get fired - but equally, you'll never discover anything that interesting."

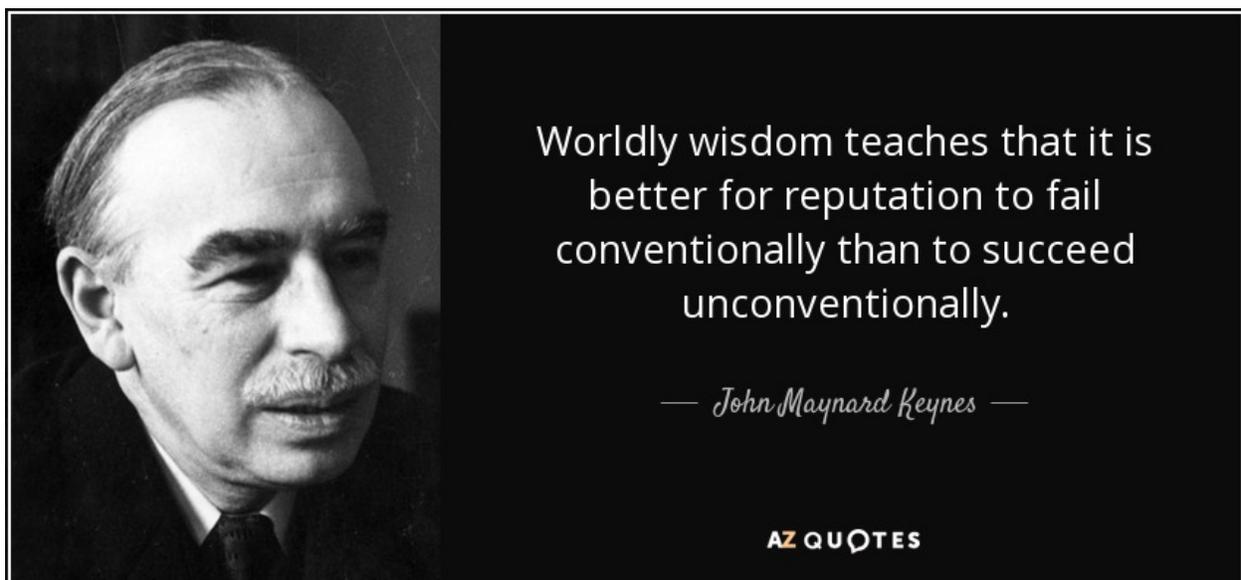
Organizations, like ecosystems, reward certain behavior. A cost-benefit analysis appears thorough and thoughtful. Your boss will read it, nod, ignore the parts they fail to grasp, and say things like 'yes yes yes.' It may be fine, but as Sutherland wonders, did you cast your net wide enough and what do those numbers mean anyway?

"Certainly there's a problem with numbers in that there are sophisticated things in life that we all understand perfectly well when verbally described. Should psychology be constrained by math? I mean, who has the better understanding of human behavior— Shakespeare or Eugene Fama?"

How to circumvent this? You have to, says Sutherland, "give permission for people to be a bit weird." A good manager encourages many small, digital, experiments and takes the blame when they don't work.

"The returns to weirdness are higher in a digital world. Therefore, we should be weirder."

Managers can cultivate creative thinking with a better incentive structure. As Sutherland likes to say, "no one got fired for buying IBM." Conventional failure has few repercussions. Professional sports are filled with these coaches. If people fail in unconventional ways they lose their jobs. Sutherland calls this asymmetrical reward mechanism an essential problem of organizations.



Creativity is many things, but it's not a silver bullet. There will be bad ideas. Sutherland still has bad ideas - but they're allowed.

"The most vital thing in an ad agency is you have a culture where it's okay to fail or be silly. Creating a culture wherein you can still make stupid suggestions and still get promoted."

"Give permission to test counterintuitive things," says Sutherland. If you want new ideas, be irrational, test odd things, and cast a wide net. You'll never know what you may catch.

Being Irrational

Drinking the spreadsheet Kool-Aid leads to causality hallucinations. Life isn't cause and effect and even if it were we may not pay attention. If we were homo-economicus then a change in the weather would lead to a change in the wardrobe. Plummeting stocks would lead to buying, not selling. We may think we are, but we are not homo economicus.

Homo economicus is the 'species' invented by Nobel Prize winner Richard Thaler. It's the person at the perfect weight, with the optimal savings, and one who strides gaily and daily for their ten thousand steps. This species is the one that not only thinks that time is money but disagrees with Rory about longer but more enjoyable train rides because they know how much productivity is lost. Rory kindly disagrees.

"What you have to realize is that most human behavior doesn't follow physical laws."

"Marketing is the science of knowing what economists are wrong about."

"Consumer capitalism is like the Galapagos Islands for understanding human behavior."

We must move past standard economic theory and physics precision. Spreadsheet cells don't have elbow room.

"That does not mean that changing human behavior does not involve science. What it means is it's a different kind of science. It's less like physics and more like climatology."

We need to study something different rather than study nothing at all. Sutherland compares psychology to technology. Thought is code. The rational agent model implies that code is buggy - but it is what it is.

One example from - another Nobel Prize winner - Daniel Kahneman is ease of remembering. What people do, says Kahneman, is that we equate recall with accuracy. If asked about the value of international trade deals, your opinion will mostly be based off what comes to mind.

The worker who lost his job will have on point of view. The person with no relation to the company another.

Rare is the person who will say 'I don't know.' Why is that? Internal trade is a huge issue. It's an idea that circles the world like a spool of thread around a globe. It's complicated, but we don't say that. Instead, we take the easy way out and believe that what comes to mind is the answer. Kahneman has an acronym for this idea; WYSIATS. What you see is all there is.

This system isn't good or bad - it just is. When Gerd Gigerenzer asked German students to identify which city is larger, Detroit or Milwaukee, they largely guessed correctly. Americans did not. "I recognize that" is a good heuristic, writes Gigerenzer. That's our code.

Sutherland wants people to understand that. In one talk he said, "My first very simple and important point to make is; psychology is technology...As you get better understanding these properties, technology gets better." People are complicated. Here's how.

Satisficing and maximizing

We tend to choose good enough results.

"Most real-life decisions aren't like archery; aim for the ten, if you just miss you get a nine, if you miss that you get an eight. Most real-life decisions are more like darts. If you aren't very good at darts aim for the southwest corner of the board. You won't get a triple twenty but you won't get a one or a five. The average score is better. This is called satisficing."

Satisficing is good enough and it's a helpful decision-making strategy.

"We are descended from people - whatever their other faults - who avoided making really really shitty choices...People pay a premium for brands not because they think Brand B is better than Brand A but because they're more certain it's good. It's less likely to be terrible. It's insurance against disappointment."

When we buy brands we buy assurance. During the early days of mp3 players there were as many devices as options for illegally downloading music for the device. It was great, but I couldn't understand why Apple products were so popular. There was no logical reason for it. Apple wasn't the behemoth they are now but their brand was still strong. The iPod satisfied.

"The idea is that when you make decisions in an uncertain setting, you have to care about not only the expected outcome, but also the possible variance. We'll pay a premium not only for 'better,' but for 'less likely to be terrible.' That seems to be an important thing to understand when analyzing decision-making."

I recognize this as an iPhone owner. There are (probably) better phones than the one in my pocket, but I don't want to take the time to learn a new operating system and research brands in an attempt to maximize my experience. I'll satisfice instead.

Here's another. Why is Airbnb a billion dollar company but no one talks about Craigslist rooms? It wasn't always this way. During their early days, the Airbnb founders wrote a script to post rentals on Craigslist too. At some point Airbnb became "less likely to be terrible" than Craigslist listings.

"Once you understand the perfectly sensible evolutionary instinct to satisfice, then the preference for brands is not irrational at all: I will pay a premium as a form of insurance for the reduced likelihood that this product is appalling."

Satisficing and maximizing are domain dependent. My wife maximizes family vacation plans while she satisfices family dinner plans. I'll maximize my writing but satisfice the online hosting.

"If you are an expert in a field, you are a maximiser. Your car is Teutonic. You listen to relatively obscure Indie music. You wear niche clothes brands, like those funny jeans with a wiggle on them. You eat at restaurants you have learned about through recommendation or reviews. And go on holiday somewhere other than Spain, France or the USA. The maximiser seeks to find the very best of everything, and uses his consumption choices to define himself or herself apart from other people."

Great brands are built around satisficers.

"To be great you need a few rich folks and a few poor folks; a few oldies and some young people. Nike's extension of their brand belief to all sexes and ages is not a cop-out. It is proof of the brand's greatness. As Andy Warhol said of Coca-Cola: 'The great thing about Coke is that the president of the US drinks the same Coke as the bum on the street.'"

"Is Red Bull an energy drink or a mixer? What is the user-imagery of Amazon? Who is the typical Google user? What makes Google better? The fact that we cannot answer these questions simply would typically be considered a flaw."

We use clues for decision-making. They can be internal - I recognize that. They can be external - let's follow the crowd. They can be aspiring - I'll maximize. They can be avoiding - I'll satisfice. Sutherland's goal is to get people to think in these terms.

Rationalizing

Satisficing and maximizing is not how most people see themselves. We're wiser, less whimsical. This is the story we tell ourselves. In his conversation with Rory, Danny Kahneman said:

"When you need information that you don't have you usually aren't aware that you need it. If you have partial information about something you will make the best story possible out of the information you have. And your confidence will be determined by the coherence of that story."

What Kahneman has found in research, Sutherland has found in people's minds and mouths. Take toothpaste for example:

"Why do we prefer stripy toothpaste? When you think about it, once you put the toothpaste in your mouth, you mix it all up. Why does it need to be stripy?"

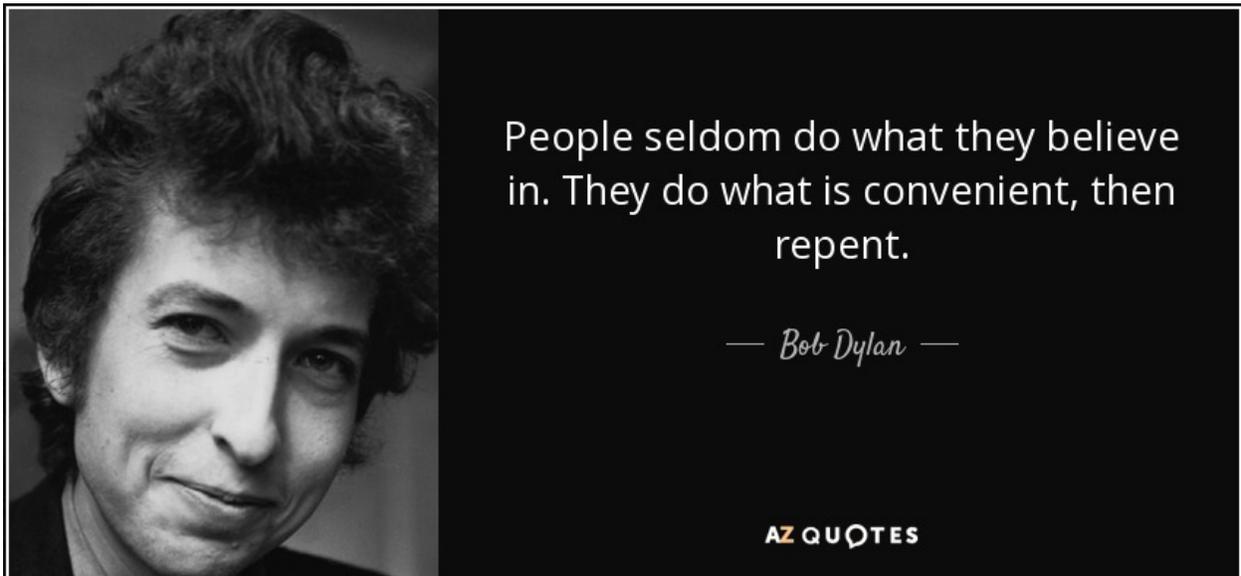
"The strangest thing on the web is, there are hundreds of articles saying how they make the stripes in toothpaste but there's no article saying why. All those materials, the red, and the blue, and the white get mixed up in your mouth. It's completely pointless.

"Why do you do it? Something about the human brain just thinks if there are three different colors, it's easier to believe that that toothpaste is doing three different things: banishes plaque, freshens breath, eliminates cavities. Because there are three colors, I find it easier to believe that this thing is doing three totally different things."

That's one way we rationalize. Google, Sutherland thinks, does another. Because they began offering a single search bar on a simple web page, people assumed they were better at search.

"People believe something that only does one thing is better at that one thing than something that does that thing and something else. It's called goal dilution."

In his presentations, Sutherland often includes these lyrics from Bob Dylan's Brownsville Girl.



We can rationalize almost anything - and have done so for hundreds of years. Benjamin Franklin praised our reasonability, "since it enables one to find or make a reason for everything one has a mind to do." Kahneman took this thinking, researched it, and wrote a book about how we think fast and slow. He told Sutherland.

"If I say two plus two a number comes to mind. You didn't ask for it, it just came. The capital of France, a word comes to mind. If I say a nasty word like 'crime' you have an emotion. You didn't ask for it, nothing deliberate, it just happens.

...

"Most beliefs come from childhood but we build arguments. We pretend that we got to our conclusions from arguments when in many cases it isn't true."

Sutherland also likes the quote from George Loewenstein, "just as we have a sex drive and a food drive, we have a sense-making drive." Academic researchers (and business executives) study (and exploit) this gap. They know it's there because if you change small things a behavior changes.

Here's an example. Once upon a time there was a very nice hotel. To celebrate the season, the hotel commissioned an ice sculpture for their lobby. It would be the cherry on the sundae of a great stay. Only things didn't work that way.

What really mattered for the guests was check-in. If guests had a great check-in experience; a short line, kind staff, ready room - then they rated their entire stay as better. The music sounded better, the room was cleaner, the ice sculpture was more beautiful. However, if the check-in experience was bad then the entire trip was shit.

"Everything we judge is based on our prior expectation...the idea that there is just this thing called 'Utility' which is produced in a factory and is completely disassociated from the context in which the thing is consumed is not happening."

"The price of things is not an absolute. We don't have an internal measure of pleasure against which we measure our expenditure - it's completely relative."

We rationalize. If check-in is disorganized then the room can't be that nice. Stories color in details and smell of certainty. This is part of the reason Uber succeeded. The app created a chance for stories (and certainty).

"The nature of a wait is not just dependent on its numerical quality - it's duration - but the level of uncertainty you experience during that wait...The human brain doesn't care so much about duration as about certainty...Uber let us make stories about where our cab was.

“What makes Uber different is that when you phone for a taxi, in between that phone call and the taxi arriving, you enter the Twilight Zone of uncertainty. ‘Where is he? Why isn't he here yet? They said five minutes. I can't see him. Maybe he's outside. Should we go outside and have a look? What if he's left?’

“With Uber you watch the cab approach in real time on your map. And you go ‘Oh, look, he's stuck at those traffic lights. I'll make myself a cup of tea while I'm waiting.’ And you're both happier, you make better use of the time but you're also vastly less stressed in that period. Now, simply knowing that is really, really important. We don't like uncertainty.”

Jason Calacanis agrees. He said that live maps is why Uber worked and previously similar services didn't.

Companies with cheaper products need to account for this storytelling. One of our simple-and-useful-but-not-perfect heuristics is that expensive is better. That's not always true. Sutherland jokes that a king of yore would give you half his land for a flat screen television. Things get better and cheaper. Homo-economicus celebrates this. We do not. Instead we think:

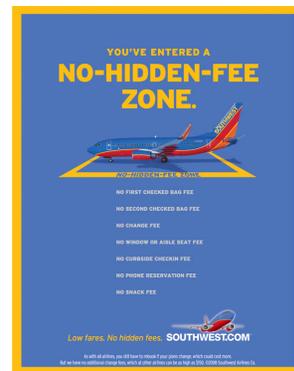
"There must be something wrong here. Even though that product seems better, if it's cheaper that must mean it's shit in some dimensions I don't currently understand."

"Marketing is much more complicated than people realize. It's not only justifying a higher price but it may also be about de-stigmatizing a lower price."

Sutherland praises the way low-cost airlines have approached this. They fill in the story for us. It's cheaper because there's less.

Look at this Southwest Airlines advertisement. The “no-hidden-fee zone” is the explanation for the price. The implication is that the other airlines are more expensive because they have hidden fees whereas Southwest is upfront about it. They tell you a story.

This isn't just about dollars, it's about sense too. Sutherland recalls taking a flight and, rather than unloading at the gate, they unload via stairs and take a bus into the terminal.



“Every single passenger on a plane, in those conditions, generally goes, ‘Aw shit. I’ve been shortchanged here. I kind of paid you for that service. The least you can do is at least connect me to a proper gate with a tube. Now you just dump me on the tarmac and putting me on a bloody bus.’ Partly because ‘bus’ automatically creates the assumption of second best-ness in our mind.”

However, Sutherland had an insightful pilot. After announcing the change, he said that the bus would take the passengers straight to the passport control so they wouldn't have to walk far with their bags.

"Hold on. That's always true isn't it? When you get a bus, it takes you right next to passport control so you don't have to schlep passed 700 yards of duty-free shops in order to actually get to your luggage and then get to the arrival zone."

The facts are the same but the rationalizing is what makes an experience great - or not.

"Here's a case where you can take something that's bad, redirect our attention to the good bit of it, and we now think it's good."

One other example is the Nespresso machine. How do people rationalize using this machine?

"Objectively they are insanely expensive. If you had to buy Nespresso coffee in a jar like Nescafe, per equivalent dosage of caffeine, a jar of Nespresso would cost about sixty pounds. You'd look at that on the shelf and you'd go, 'That's insane!' I could buy Nescafe for only five or six euros.

"But it doesn't come in a jar. It comes in little a pod. So the frame of reference isn't Nescafe, it's a coffee shop. You think, 'In the coffee shop I'd be paying one pound twenty. This little pod cost me twenty-eight cents. This machine is practically making me money!' Our perception of things is relative. What you compare something to matters much more than whether the thing is expensive or not."

We aren't rational but we don't need to be. Rules of thumb work for a lot of things. For other decisions, we satisfice to avoid downsides and rationalize after the fact. Producers can use this information to help people tell themselves these stories. This is done by framing.

Framing

The way choices are presented to people influences the choices they make.

"The power of reframing things cannot be overstated."

"The interface fundamentally determines the behavior."

"If you make making a decision really difficult people do two things. They either decide really badly or they don't do anything at all."

"The idea that we value things objectively, free of the context and expectation which we bring to them is completely wrong."

What does that look like? Rory says to imagine a restaurant with great food but that's had a sewage backup. No matter how good the food, you aren't eating there tonight. Even if the maitre d offered half off, you'd back off.

We can frame good things in bad ways to change behavior. Two Australian radio personalities convinced Ed Sheeran to help them with a bit. The plan was to offer a peep show - starring Sheeran. One guy would hawk the show on the sidewalk, the other would take the money and guide people to their seats for the thirty-second peep.

It took them two hours to get anyone interested. Sutherland said, "It doesn't matter how good your product is if your marketing is terrible." An 'Ed Sheeran peep' is great for a radio stunt but horrible for fans.

Another example of good and bad framing is dietary guidelines. Successful diets prioritize easy, not logical, decisions.

"If you're a dietary advisor or nutritionist the logical thing to say is 'this is your caloric intake for the day and you should stick to that.' That's a very difficult thing to do because it requires you to invoke System Two to eat meals that are smaller than the one you want to eat.

"It's tiring, cognitively difficult and requires a huge amount of self-policing. If you just say 'Don't eat carbohydrates.' Once a week you go to a shop and don't buy carbohydrates. You need no extra self-control because there aren't any carbohydrates in the house."

Forget about counting units says Sutherland. It's not hard to do but it's hard to start. Make it easier, and don't count at all. "When it's abstinence you can't con yourself." And how are you supposed to count how much you've drunk when "you're already a bit pissed"?

Rory likes the work that Richard Thaler and Cass Sunstein wrote about in Nudge. For people that get worked up about 'being told what to do.'

"Nudging can be nothing more than the act of painting white lines in the middle of the road, or painting a pattern in a car park so that people all park in a way which allows more cars to fit into a given space.

"You know, as an absolutely purist libertarian, I could get really angry and say, 'I hate car parking lines because they interfere with my right to park at the diagonal.' But you'd have to be a fairly deranged libertarian purist to take that view, to protest against the lines in car parks."

Thaler and Sunstein address this in their book. Everything has some design, why not be thoughtful about it. Sutherland suggests designs for people's psychology.

“If you look at the world of physical design—I drove you here today and I steered the car with my hands; every single car I know, including Formula 1 cars, has a steering wheel. Now, our hands didn't evolve to steer cars. What we do very sensibly is we design cars in such a way as some evolved equipment that we have is quite good at steering, which is why nobody's attempting to devise an interface where you steer your car with your nose.”

“What fascinates me is that when we design physical things, no one's so dumb as to design a car that you steer with your little toe. When we design programs and government policies and things, we commit that error all the time. And the reason we commit the error is because, first of all, nearly all the decisions where we attempt to predict or understand human behavior are based on, as I said, this broken pair of binoculars. One lens is neoclassical economic theory and the idea of perfect rationality, perfect information, perfect trust. That's obviously wrong.”

How do people actually make decisions? In businesses they use spreadsheets. We buy fat toasters rather than consider bread slicers. We often satisfice and rationalize even more. Those are the things to consider. Focusing matters too.

As Sutherland observed about being on the airplane that unloaded to a bus, focusing matters. Danny Kahneman said this to Sutherland:

“Nothing in life is as important as you think it is while you're thinking about it. So just thinking about anything makes it look bigger.”

Sutherland rephrased it this way.

“If you can change people's focus, attention, and their status currencies so they derive more pleasure from what already exists, rather than from what has to be created to sate their demands, you can essentially increase wealth without increasing consumption.”

Think about this. If we change the way people look at a situation it changes how they feel about it. What does it take to change the way people look at a situation? Almost nothing! Just words.

Four words will sometimes be all you need. When Sutherland helped a company figure out why people didn't renew their subscriptions, they found that four words increased renewals by thirty percent. “Most people like you...” This design is called choice architecture.

"In many cases instead of persuasion you want to ask 'How could we change the situation to make it easier for people to do what we want them to do'"

"When you want to change behavior, try to change the environment rather than try to persuade people."

"I think the first role of marketing is to make a decision easy to make. And that means clarity of choice and lack of anxiety."

Sutherland says that we are blind to the path-dependent nature of decision-making. How did you decide on your last meal? Often we choose 'how' not 'what'. Stay in or go out? Cook or be fed? Fast or slow? Those are the initial questions, not, Italian or Greek.

The same is true for buying houses says Sutherland.

"When we buy a property, the order in which we look at things matters. Location is the highest priority. Next, In the UK, it might be the number of bedrooms it has (in the US, it might be the floor area, by square footage). We might then look at the size of the garden, a few other features, and whether it has a pool. But architecture generally comes pretty low down the list. We only look at architectural aesthetics when we've got down to a final selection of four or five."

Rory recalled a business example of this too.

"Here's a really interesting thing, a lot of people at Ogilvy, senior people at Ogilvy...used to say: 'look, Amazon's a really successful online book seller, but once Barnes & Noble get serious about selling books online, people are going to choose Barnes & Noble.'

"Quite a few intelligent people said this, and I always remember thinking that they were wrong. What those people weren't realising was path dependency, which is about how I want a book or I hear about a book or someone mentions a book or I read about a book or I think about a book or my course professor tells me I need a book.

"The next decision is which channel I should buy it in — shall I go to a shop or shall I go online? And then the third decision is, in that channel, which branch shall I go to? Now, within the bookshop channel, Barnes & Noble were strong, but once you've made the decision that you're buying that book online the strongest brand in the online channel was Amazon."

Amazon still benefits from this path-dependent thinking. If I want to buy something online, I check Amazon rather than if my local Walmart could deliver it cheaper, quicker, or both.

Another example - one that Sutherland dislikes - is the the placebo choice. 'Red or white?' wine is a placebo choice. You feel like you're getting to make a choice but really you aren't.

This fundamental human quirk even works on toddlers. Never give a child infinite choice. Give them placebo choice instead.

This works because people prefer to adapt rather than work. Besides the Placebo Choice here are some other choice designs.

- People tend to choose the middle of three options. "There are huge, huge comparative forces in how we actually exercise judgment."
- People tend to do what others also do. "Making something seem like a social norm massively decreases the stigma of doing it yourself."
- People tend to believe complicated things do more. "Because it's complicated we think it's really good."

The way people see a situation affects what people believe and how they will act.

"The context, the medium, and the interface within which a decision is taken may have a far greater effect on the decision we make than the long-term consequences of the decision."

This can be incredibly helpful. Good framing has butterfly effects.

Butterflies

Sutherland is searching for butterflies. This is what marketing is. Add value through intangible means. Small inputs, large effects.

"One of the brilliant things to look for in marketing is disproportionality, how very very small things have a huge effect."

"That's the glorious thing about marketing. You can create glorious delight and memorability and distinction with utterly trivial levels of expenditure."

"Intangible value is a very fine substitute for limited resources in the creation of things."

Think of the hamburger, says Sutherland. Start with the meat and add a bun. That's one kind of burger. Then add lettuce, and tomato, Heinz 57 and a french fried potato, a big kosher pickle and a cold draft beer and that's paradise. The ground beef is central and each additional part is a complementary good. Advertising is a complementary good too.

"Instead of thinking, 'how can I persuade people to buy my product.' — ask instead 'what's the equivalent of lettuce, ketchup, and bun?'."

Here's where Sutherland says to look for these opportunities.

"What we need to do as marketers is either look for things that are objectively similar but subjectively different...or things which are subjectively similar but objectively different."

Too often we prefer large sweeping gestures because we think that's what works.

"If you're a guy at the UN with a budget of two-hundred million it is beneath your dignity, it's insignificant, it doesn't satisfy your own self-love to say - 'The solution to poverty is free lentils.' You always look for a big grandstanding heroic thing."

As we saw in the 'Irrational' people section, it's a mistake to think linearly. Big inputs do not equal big outputs. Sutherland says that the Eurostar is an example of this mistake. Engineers and politicians wanted to change a three-hour train ride to a two hour thirty-minute train ride. That's a sixteen percent improvement!

But at what cost? Instead of making it faster what if they made it more enjoyable? But that's hard to measure. People like spreadsheet math, however as Sutherland says, "there is no aircraft as fast as a sleeper train."

Building more doesn't always help either. You've probably seen this in your commute. There's a road that's busy, too busy. Someone decides to widen it. Work begins. Barrels sprout. Bulldozers arrive. Temporarily congestion is worse. 'That's fine,' you think to yourself. 'Once the work is done things will be so much better.' Months later the last equipment is removed and traffic is not so much better. Why? You can't build your way out of congestion. Make something easier to do and more people will do it.

"So my tip for the day is this: spend just as much time working on how you can reduce consumer transaction costs as you do trying to reduce manufacturing costs."

Another small effort to large effect is speed cameras versus ticketing cameras. The cameras that take pictures of car license plates, record the data, and send out a ticket are an order of magnitude more expensive to install and maintain than the ones that display "Your Speed Is..." We should ask if spending ten times as much is bringing back ten times the results.

In a talk for WIRED Health, Rory gave advice for how small changes can lead to people being a lot healthier. Start, with the name of thing. Sutherland said that if you want people not to go to the A/E for small things change the name of the A/E (which stands for Accidents and Emergencies). "What you call things affects how people behave...Because if you create a name for something we automatically assume it's a norm." This worked for designated drivers, says Sutherland. Once that term was introduced on television sitcoms it joined the lexicon.

Another medical example is multicolored pills. Filled but unfinished antibiotic prescriptions are troublesome. Rory thinks that these prescriptions should be filled in two colors. Then pharmacists can tell people, 'finish the eighteen blue ones and then take the six red ones.'

"The likelihood that people will get to the end is much greater when there is a milestone somewhere in the middle."

Sutherland calls these butterfly effects MONO ideas - Minimalist Oblique Non-Obvious interventions.

"Minor irritations are really worth focussing on because unlike things like health care, they're relatively cheap to solve and the difference they make to the quality of life may be enormous."

These are not obvious, so to find them you need to look in different places.

"Test strange things and when they succeed you know something nobody else does and that's what's really valuable in business."

And this area of thinking is fertile.

"It's hard to make an airplane ten times faster but you can make a hotel ten times cooler than another hotel for a fraction of the price."

And butterfly effects are easier now than ever before thanks to the computer in your pocket. This is key because timing matters too. Sutherland says, imagine you have the option to drive or take the train. The decision point isn't once the car is packed, the decision point is well before that. Once people are packed in a car the inertia to make it a car journey is too great.

"In fact, if you have kids and have already packed the car up with seven tons of shit the decision is already made for you."

What if instead you make the decision earlier. "Then the asymmetry doesn't apply...By using technology to change the place that decision gets made you will fundamentally change the decisions that people make."

The best billboards, says Sutherland, are ones that change. In one talk he shows a billboard advertising travel and points out that it changes throughout the day and the year. During afternoon rush hour it notes that the train doesn't stop. Around the holidays it reminds you to visit your mum. Different messages with different means at different moments change momentums.

Here's another example you've seen, please shower before swimming. My local YMCA has this sign on the pool deck. Whereas this sign should be in the locker room. On the pool deck I think, well I'm about to get wet anyway I'll just jump in. While in the locker room I think, well I'm about to get wet anyway, I'll just rinse off first. Putting messages at the wrong place, says Sutherland, "is a disaster."

Rory's Reads

Here are some books Rory recommended.

Poor Economics by Esther Duflo and Abhijit Banerjee. Sutherland suggested this book because the authors found out that a little can do a lot. In marketing, for Sutherland, the ideal is to create a large effect with a small effort. Virgin Airlines does this, he says. Their salt and pepper shakers are miniature planes and embossed on the bottom it says "pinched from Virgin Atlantic." This creates delight, says Sutherland.

Duflo and Banerjee found that if they offered poor people small incentives they were more likely to do things that were good for them. A small bag of lentils was enough incentive for mothers to get their children vaccinated. Cultural norms - repeated in television - made people act certain ways and not others. In Brazil for example, birth control became more popular when people saw it on their soap operas. In the United States and United Kingdom, Sutherland said the same thing happened with the term "designated driver." Duflo and Banerjee also found that nudges work well. Obstacles mean friction.

Nudge by Richard Thaler and Cass Sunstein. "A tremendous book." "I'm a big fan."

Obliquity by John Kay. Successful companies and brands have something great driving them. "Jobs, Knight, Kellogg, Ford - they're all barking basically. But because they are barking they pursued something bigger than the simple pursuit of short-term profit."

Thinking Fast and Slow by Daniel Kahneman. "If you read nothing else read his Nobel Prize acceptance speech."

Predictably Irrational by Dan Ariely.

Ludwig von mises.

Buckminster Fuller.

How to Solve It by George Polya. "You're a fan of How to Solve it?" Sutherland asked Daniel Kahneman. "Yes, of course," he replied.

Polya lays out a four step process for figuring out any problem. Understand the problem, devise a plan, execute the plan, look back. Too infrequently we don't understand the problem. People want a better trip not necessarily a faster one.

Risk Savvy or Gut Feelings by Gerd Gigerenzer. Which book Sutherland suggests he didn't say. In both Gigerenzer makes the case that our intuitive judgments aren't so irrational and he offers other explanations to the work of Thaler and Kahneman.

Why Everyone Else is a Hypocrite.

The Company of Strangers.

The Righteous Mind.

The Darwin Economy.

The Armchair Economist by Steven Landsburg. "It's a really, really good read."

The Drunkard's Walk.

Spent by Geoffrey Miller. "Alongside Steve Harrison's, this is the one book on marketing and advertising you should read this year." Miller's book is about the biological signalling that consumerism creates. This book was much more than "the peacock shows his lovely feathers" because Miller tries to drill down to what the foundational levers of our actions are.

Traffic by Tom Vanderbilt.

The Rational Animal.

Books on statistics and probability. "An awful lot of maths is a total waste of time, when on earth in life do you need to know the surface area of a cone? But the stuff involving statistics and probability, I would argue that should be taught as a mandatory at school. People instinctively are bad at it, you know, they're bad at working out probabilities, likelihood, statistical significance, all that kind of stuff." "To make the point, I think statistics and probability should be taught extensively."