

Rory Sutherland was born in Usk, Monmouthshire, in 1965 and educated at the local Haberdashers' school and at Christ's College, Cambridge. At this point, promising early parallels with the life of

# **A** a is not enough...

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Rory Sutherland Immediate Past-President, IPA Vice Chairman, Ogilvy Group UK The great behavioural economist Dan Ariely advised that before accepting any speaking engagement to which you are invited six months in advance, you should pretend the event is tomorrow and ask yourself whether you still want to speak. The night before quite a few speaking engagements, I have regretted not heeding his advice. In the case of the Brands Lecture however I am just as delighted now as I was when invited many moons ago.

Rather than a lecture, this is more of a plea – to change the vocabulary of marketing in order to bridge the gulf between us and those people – the people who set our budgets – who do not speak our language at all. People who in fact regard any vocabulary – aside from the vocabulary of finance, balance sheets and ROI – as incomprehensible or even deeply suspect.

Yet that is not to say that we have no choice but to adopt the vocabulary of a ruling class (which is why I am not delivering this lecture in Norman French). Unlike many in marketing, I am rather ill-disposed towards words like 'accountability'. It seems to me that this notion imposes on brands a demand for numerical quantification which may simply be neither possible nor desirable — and may risk underestimating significantly a brand's true value.

If you believe it possible to place a precise numerical value on a brand where the future is unknown and where, in ways not yet clear, that brand will provide a bulwark against uncertainty, then I am impressed but not altogether convinced.

'Accountable' is what you seek to be if you want to spend your life talking to accountants. To me it is apologetic and hopelessly defensive language. It is like saying sorry before you have even started, 'Sorry this marketing all costs so much; sorry we have to do it at all; sorry we can't do something really quantifiable like off-shoring or procurement'. All you gain when you are 'accountable' is a short reprieve, living to spend some money another day. It is a bit like the famous 'Stockholm Syndrome', where captives come to adopt the language and mindset of their abductors.

And, as we should know more than anyone, it doesn't really work: you cannot win an argument through pure, rational argument. I know this all too well: I was a direct

marketing copywriter for many years and our work was much more measurable than more expensive activities such as advertising or sports sponsorship. Quantifying the impact of your work is wonderful but it does not make people say, 'You're absolutely right. We'll cancel the TV commercial and do some mail packs'. Ask Johnny Cochrane, the lawyer in the OJ Simpson case. The prosecution had all the logical arguments but OJ was acquitted.

Fundamentally you cannot argue people into doing what they emotionally do not want to do. Persuasion and seduction are not the same thing, they are opposites. If you ever hear anybody say, 'I persuaded him or her to sleep with me', it will not be a lasting relationship.

What we are trying to do is demonstrate to a cynic that brands work, even though we do not know how. That's not good enough. Doctors know the placebo effect works, but it does not make them like it – or deploy it – any more. For people of a rational accounting mindset (and around 50% of UK CEOs have a background in the finance department), this sort of mysterious, nearmagical power does not inspire enthusiasm but terror. Almost the most frightening thing in the world is something that works for no readily apparent reason.

So, arguing that brand-building is great and the company should do more of it without explaining why is probably not a good approach. My contention is we need a new vocabulary. The vocabulary of accountancy is too defensive and inappropriate to what we do. Equally the brand vocabulary does us few favours. To people trained in hard science, the language is indistinguishable from that of flower arranging or astrology.

So where can we find a new marketing phrasebook? First of all, I am reminded of two quotes. One is from Jeremy Bullmore who said, 'The best books about advertising aren't about advertising! The other is from the eccentric San Francisco copywriter Howard Luck Gossage who spent much of his time seeking inspiration for marketing outside marketing. He said, 'Whoever discovered water, it sure as hell wasn't a fish', the argument being that when you swim in an environment, you do not actually notice it.

A bank, by investing in architecture, suggests it will be around to recoup the money it spent on the marble. It is the same with a brand. There is a reputation to lose.

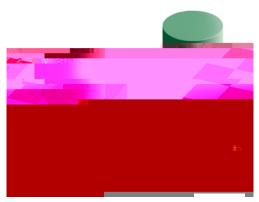
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This leads to something very interesting, first identified by Herbert Simon of Carnegie Mellon University in the 1950s. It is the difference between decisions made by 'satisficing', where risk aversion is prominent in the mind, and those made through 'maximising', which is getting the very best possible thing for a specific amount of money.

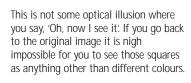
Gigerenzer's point is that, by using heuristics, ignorance can lead to better decisions than knowledge!

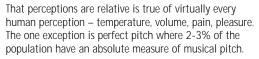
Choice architecture can be developed exploiting the heuristic of 'doing whatever seems normal'. This is demonstrated in the difference in organ donations by country, based purely on whether the donor card is opt-in or opt-out. If it is opt-in, where it seems normal not to donate your organs, around 12% of people will donate. If opt out, where the assumption is you are happy to donate unless you specify otherwise, 98% donate. If you make it a managed choice, with both yes and no boxes, about 66% donate. So, to an important question to which we probably do not know the answer, the instinct is to 'do what most people do'.

To demonstrate the relativism with which we view the world, with our brains evolving to make comparative, not absolute, judgements, here is a test board where you may agree that square A is darker than square B.



On the other hand, if I cover up parts of the board you will see that A and B are exactly the same intensity of grey. We are incapable of seeing that because our eyesight works on a relative basis.





What we pay for things and how we value them are equally contextual. When at home you will pay about 2p for a cup of tea but when you take it away from Starbucks you will pay about £2. It is reasonable to say it is not a hundred times more enjoyable but our valuation system is relativistic.

To talk about a brand in isolation without talking about comparator brands is dangerous. Coke needs Pepsi. You can't be the real thing if it is just you. So understanding the context and understanding the difference between maximising and satisficing is vital in research.

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We tend to have a model of behaviour where people go from brand preference to purchase behaviour as though it is an unmediated, absolutely direct process. In reality, many decisions involve multi-stage, path-dependent actions.

The man behind 1-800-Mattress in Manhattan was a marketing genius who commanded some 90% of the New York mattress business. He realised that people were not that excited by brand decisions, whether to buy a Silent Night or Sleepeezee, but were deeply exercised about how to get rid of their old mattress. In New York, if you are rich the butler takes it away and if you are poor you lob it out the window, but for most people it is a real problem, especially as they probably don't have a car. Understanding path dependency, 1-800-Mattress offered to take away the old mattress for free. Fantastic!

I like the cocktail culture in the US with all that mixology stuff. One reason for the lack of cocktail culture in the UK is that by the time you get to the spirits section in a supermarket and consider buying Campari, Pimm's or rum for Mojitos the fruit you need is 500ft away against the flow of shoppers and ice is nowhere to be found. Sainsbury's with Diageo, through brilliant use of path dependency, has created a cocktail pod in the spirits section where there are mixers, ice, lemons and, for the connoisseurs of gin and tonic, limes, all together. The net effect is a rise in sales of spirits of between 8 and 9%, due to an understanding of path dependency.

One flaw in the belief that brand strength translates into purchase is that people may have made a category decision long before and eradicated your category without even being aware of your product. You may be the strongest rum brand in the world but if Brits holding a party head for the wine, you won't feature.

Path dependency is vitally important in the context of channels to market. People thought that Barnes & Noble's brand strength would carry through to the online space and defeat Amazon but it didn't. Once a consumer is within a channel, their brand map changes. If you are

Von Mises insisted that value is subjective and can only be understood in subjective terms – what someone in a certain situation and given circumstance is prepared to pay in exchange for something. If you run a restaurant, conventional economists will say that real value is created in the kitchen. However the value of the experience is a combination of the quality of the food and the context within which it is consumed. If you imagine a restaurant where the food is magnificent but the floor is covered with detritus, then the greatest value you could create is to change the context in which the food is consumed. As von Mises observed, you cannot draw a sensible line between the value a restaurateur creates by preparing the food and the value he creates by sweeping the floor. To distinguish between the value created by influencing the context and the value created by making the thing in the first place is a false dichotomy and a false distinction.

Some time ago the Royal Mail made such a mistake. At the time about 98% of first-class mail arrived the next day. They decided for reasons lost in the mists of time that they would improve that to 99.5%. It involved a gargantuan effort that almost broke the Royal Mail. At the time though, consumers perceived that 70-75% of first-class mail arrived the next day. If perception is much worse than reality, why improve reality? It is like operating a restaurant with detritus all over the floor and saying, 'We have to make the food better.' The value of anything is a product of what it is and the mental context within which it is consumed

There are three principles from von Mises:

- · value is subjective;
- value is contextual, varying by moment, place, time, mood and other factors;
- value is often subconscious, operating as a kind of gut instinct.

A perfect example of the creation of subjective value is the launch of diamond-shaped Shreddies in Canada. This changed the frame of reference. There was market research in which people compared square and diamond-shaped Shreddies, finding the diamond shape tasted more interesting. It proved something of a 'New Coke' moment, with a lot of Canadians wanting their old

square Shreddies back as they regarded the diamond shape deviant and an anomaly. So, in a Canadian way, they arrived at a compromise:

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It is a fascinating thought that you can make something seem better or worse according to the comparative frame applied to it. If you can change the frame, you can change the game.

The idea of high-speed rail makes me angry because it is all about engineers applying their metric for quality rail travel – high speed, low duration. The entire mathematical case for high-speed rail in the UK is based on the assumption that everyone on a train is economically unproductive. I personally find trains to be the only place I can do useful work nowadays.

High speed, low duration is a ludicrous metric for this small country, though it would make more sense in China. We should flip the metric and change the frame to something like comfort, convenience, style and elegance. Take Eurostar. Why spend £6 billion reducing the journey time between London and Paris by 40 minutes? It assumes that the only metric of any importance is speed. Give a creative team that brief and they would say speed is boring. Put in Wi-Fi at a cost of £5 million and make the journey useful and productive, a different frame of

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Mountainview, a company that studies behavioural economics, has researched relative price effects. The example below shows the impact on sales of Carling and Budweiser at a specific price point, depending on three scenarios – whether they are sold together, with a 30p Tesco value lager or with a £4 bottle of Kronenbourg. The differences in the number of people buying either Carling or Budweiser depending on what they are sold with demonstrate comparative effects. Also demonstrated is the draw towards the one in the middle.

Comparative framing is relevant to selling cars. You don't sell Rolls Royces at car shows, you sell them at yacht and plane shows because when you have been looking at several million pounds worth of yachts and Learjets all day a £350,000 car seems good value. The best way to sell TVs online is to sell them via high-end holiday sites because compared to a £4,000 holiday, a £900 flat-screen TV seems cheap.

To a classical economist there is no difference between BMW dropping its prices by 10% and a mate in a BMW dealership getting you 10% off. However the human brain, which is biased by scarcity value and the belief that things that are more difficult to get hold of and more exclusive are intrinsically more valuable, will perceive one as being several times more valuable a saving than the other.

Trade-offs don't have the same psychological effect on people as price promotions. Cheap strawberries may lead you to believe they are not very good, but pick-your-own is a trade-off. You will get cheap strawberries but in return you contribute some of the labour. It would be extremely useful to study which promotions build brands and which damage them. There is a difference, as Jeremy Bullmore once put it, between a bonus and a bribe¹ and I suspect there are small factors which make a big difference.

So, we need a new vocabulary and I have given you some suggestions, embracing heuristics, path dependency, complementarity, loss aversion, maximisers versus satisficers and some other concepts. Here are some of the areas we have covered:

- in the context of branding, fame really matters.
  As a heuristic there is no substitute, but the media you use affects perceptions of fame. There is evidence that using broadcast or digital media will have different effects for the same level of reach;
- maximisation is a dangerous assumption of behaviour because most decisions in most categories most of the time are not made that way;
- loss aversion is a significant motivator, with people willing to pay a premium for reassurance. IPA suggests this price premium is the greatest contributor of brand value but it is the one least measured:
- frames of reference provide the context for decisions.
  If you change the frame you can change the game;
- we need to reconsider our marketing models in light of the fact that behavioural change may well precede attitudinal change, not the other way around.

I would like to finish by paying tribute to two of my heroes: Daniel Kahneman was a Nobel Prize Winner of Economics in 2002 even though he is a psychologist, not an economist; and Ludwig von Mises, who unfortunately wrote his works in Austrian (and the English translations will make your eyes bleed). However there is great stuff there to help you appreciate radical subjectivity. There are some five books on behavioural economics which will teach you 70% of all you need to know. The vocabulary these will give you, and the opportunities they will present for really useful discussions, are priceless.

# This is the eleventh in the Brands Lecture series

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# Hybrids, the Heavenly Bed and Purple Ketchup

David Aaker, Prophet

# Brands Beyond Business

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Martin Glenn, Birds Eye Iglo Group Limited

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