



Podcast Episode #18 – Why not to out-innovate your customer, with Alan Klement, Entrepreneur&Innovator, USA

RAW TRANSCRIPT OF INTERVIEW

Balint: I'm happy to bring you Alan Klement. Thanks a lot, Alan, for joining the podcast from New York City.

Alan: Yes, thanks for having me. I'm very excited.

Balint: Recently, Alan, I've come across your book, and I have read it actually, *When Coffee and Kale Compete*, and it's on a very important topic, which is an innovation, an important element or elements of innovation. So that was in October when it came out your book and it took me just a few days to read it because it's so fascinating...

Alan: Ah, right. I like that.

Balint: To read it. I like the narrative and also that before I read some articles on this topic but not a full book, since your book is the first one coming out. And it solves an interesting problem for me. So how to understand what customers want which is one important source of innovation, be it hardware or software solution in the end? And as for hardware an example that was puzzling to me for some time was Steve Jobs how he innovated. And that he came up with completely different products in different markets than what existed before. So the iPhone with touch screen and before Apple, Nokia, which we also actually mentioned in the podcast in episode 10 with Joe Justice when we were discussing scrum. And besides Nokia, Palm, Research in Motion, Motorola, they all worked on satisfying customers stated needs for low-cost phone with a keyboard. You also describe this in your book. And to start off this topic, your book has an interesting title, which is striking. It piqued my curiosity. So how can two disparate things like coffee and kale compete?

Alan: Alright. So that's one of the things that really attracts people to customer jobs thinking is the fact that customers see competition differently than perhaps in a more traditional marketing environment or a more traditional market segmentation exercises and points of view. So many people when they go to school or learn about marketing and innovation so on and so forth, they think about competition in terms of product categories.



Computers competing with other computers whether it be mainframes or mini-computers, or laptops and PCs, or, like I said in the book, a refrigerator only competes with other refrigerators. And that's how markets work. The customers don't see that way. Basically, customers or everyone, everyone, we all of us, we basically have this idea of this desire to improve ourselves, self-betterment, and we will use whatever products and services, and often we will combine products and services together, to improve ourselves and to make things better. And so, that's the whole idea about Jobs To Be Done. And why the title is what it is? It's actually I was trying to figure out what the title of the book should be. It was like I spent about a year and a half, two years writing that book and I still was struggling with a good title so I thought, "OK, I'll just go walk in the park and sit down, and just maybe say that nature will inspire me."

Well, I was walking again towards the park and I work early so that was around eight o'clock in the morning and I was sitting there on the bench. And I was just seeing some people walking by with their coffees in their hand. But every third person or so would have like some kind of green juice. Whether it was like a smoothie drink or one of those like health veggie drinks, and that's when I thought, "Oh, well, there you go. You have it right there." That was it. I was like, "Oh, coffee and kale. Can they compete?" In a sense of some people believe who may have previously thought, "OK, in the morning when I have my coffee and that's what's get me going for the day." But circumstances change and someone out there, some innovator has an idea that, "You know what? I think kale veggie drinks are a much better way to start your day with and for all these reasons." And some people have gravitated towards that. And so that they switch. They stop buying the coffee drinks and they switch to buying the veggie smoothies or the veggie juices in the morning and that makes them competitors in the mind of the customer.

Balint: This is what you describe as a competition. And actually this is coming, the definition, from Schumpeter, right?

Alan: Yeah, well he had some interesting insights, again yeah, Schumpeter he was talking about a macroeconomic phenomenon because he was caught in response to Karl Marx and current revenues and this K-wave, so that they were talking about how entire societies and social structures and economies, large changes in economies with this idea of creative destruction which affects whole industries, not just products, but why do companies fail and succeed. But then, when that happens why all these people lose their jobs and so on and so forth? And it was only at the very bottom of his last chapter on creative destruction does he say, I mention this in the book, I pointed out that the most important competition isn't in what you think it is, it's the completely new ways and new innovations.



He doesn't use that word but it's what he's describing. New innovations that actually compete from the customer's point of view. And that was... So that was maybe just the first nudge in that direction that has influenced people ever since 1945, I think it is when he wrote that book. So I saw that and I was like, "Holy crap!" This guy he is touching on something and that we've only kind of now been publicly thinking about and talking about. And so that was kind of Schumpeter's take on it.

Balint: And if we go back more in time to the past, when was the moment, let's say decisive moment, when you were like I need to deep dive into this topic more? Just like for me when I saw your book that was like one defining moment for me that I need to read more on this topic. Was there such a moment for you? Or it was a gradual process?

Alan: So I would say that's... So this is very jobs thinking in the sense of, and going back to Steve Jobs as well, kind of we talked before what made him great and innovative and think about hardware and products, and so on so forth, is that a lot of people will just kind of assume that things are the way they are. They may be unhappy with certain things but they just assume that's the way it is. So that's how it was for me as an entrepreneur and an innovator. I just assumed that well I've had some businesses successful and I sold them off, but I had a couple of crash and burn, and I was just always looking to figure out a better way of doing it but I didn't know what that was.

So I just kind of went through life just trying for myself and doing the best that I could. That changed for me when I wrote an article, I think it was between...It was me, a radio show or just an article written between Des Trayner of Intercom and Ryan Singer from Basecamp. And they mentioned the topic of jobs and Jobs To Be Done and that's kind of what started my deep dive into the topic. So that may have been, I don't know, maybe 5 years ago? And so it's been a long journey since then, even going back to the guys who originally came up with the idea of jobs, then it was in a very early form John Palmer and Rick Perry who I am now are working with. But it's been an evolutionary process. And so that's kind of how this all started about five years ago when I heard Des Trayner and Ryan Singer talking about a new way to think about competition and about making products that people will buy, and that's what attracted me towards it. And I've been on that train ever since.

Balint: So the theory, this JTBD - job to be done theory, this is a framework, so it's a set of principles. So it's not a method. And can you describe it bit more this framework that you talk about in the book? Because it's a framework and you



emphasized it as well, so it's important just like scrum is a framework for how to do iteratively projects, and yeah. Can you describe it a bit more?

Alan: Sure. So the basic premise, and I will unpack it here a bit, is that what makes humans different than animals is that we perpetually want to evolve ourselves and make ourselves better. There's an expression that Sigmund Freud calls, he describes humans as prostatic gods in the sense of we are imperfect beings but we yearn to become better. And so what we do is we attach things to ourselves to become better. So if I am a parent and I have my kids and I have this kind of yearning, this job if you will, of caring for them and always want to make sure that I'm either teaching them life lessons or helping them become more independent, or whatever the context of that caring may be. But I aim that if someone out there shows me or introduces to me a better way for me to evolve in that direction, I will become attracted to it and want to buy it and attach it to me.

So that's where jobs thinking comes from. It's the idea and recognizing that customers that we always want, the instance of humans, which type of human nature in general we always want to build ourselves up, by we always just want to make ourselves better. So if I think about, maybe like the cliché example is, "Oh, if I get some fancy car, like a Ferrari or Porsche, we don't break it down and kind of analyze our chronic needs and be like oh, it has this safety rating or it means to have this speed limit or has to get these miles per gallon." We think, "Oh, wow I will impress all these other people or I'll fit in, or I'll have this amazing, exhilarating feeling and I'll drive it, like it's always positive. I'm building myself up."

And so that's kind of what we say in jobs language creates a Job To Be Done. It's when someone introduces to me a better way and then I recognize that, "Holy crap, the old way I was working sucks. I thought I was fine. But you just showed me a much better way of interacting with the world. Now I don't like what I've been using. Now I want this new way that you're showing me." And then you mentioned Steve Jobs earlier. He was a master of that. And if you go back and watch it, his presentations he doesn't really talk about satisfying customer needs and so on and so forth, he'll talk about, "he's like using a keyboard. It's like terrible, you are using a Stylus with your phone, oh you are losing the Stylus," he is talking about what's wrong with the other way. He is like, "But you know this new way that I believe is so much better, look at those amazing things that you can do." And if you go back and watch his keynotes, he's always talking about how amazing it is in this new way, and if you follow him or buy his products, you can join him in this new world that he's creating.

So that's why, for example, when he introduced the iPod, he pulled it out of his pocket, that was very deliberate, he didn't have it come in on a table or some-



thing, he was like, “Oh, like this what I believe, thousand songs in your pocket, this is what I believe, this is the future that I believe we should have.” Or the same thing, I think that was the Mac Book Air, where he put it inside an envelope, like on the thing is it?

Balint: Correct.

Alan: A MacBook Air or iPad? I'm not sure which one it was.

Balint: The Air.

Alan: The Air. That's there it is, this is the future, this is how convenient it fits into your life. And the same thing for your iPhone, he used to walk around with the iPhone about for like 30 minutes, like the intro, and he was like, “Oh, here it is, by the way my pocket. We'll talk about that in a second,” but he puts it back in his pocket. So again, he's even demonstrating to you during the presentation how easy it is to do whatever he's doing. And then, he introduces the problem. So that's... And then, when you see that this creates this yearning and that's what we call a Job To Be Done. Wow. Now, now I want that, I want to improve. Help me do that. And so that's it.

Balint: Alan, to go on with illustrating the concept I propose that we analyze one topic further, which is the chotuKool story. This is a hardware product, a physical product and you describe this in your book. So, basically, it's a, just a little bit of intro, it's a cheap fridge with a minimal set of features. And I read it in the book that in 2006 was when Clayton Christensen, the famous professor on disruptive innovation from Harvard who is associated with this, and also with coming out with a similar book on Job To Be Done topic recently, it's “competing against luck”. So he was hired by this company in India, Godrej, to help out with doing the innovation, and it didn't turn out so well even though they won several awards, even the Edison award, and they were forecasting big sales. But again, it was a disaster, turned into a disaster. What happened here? What were the factors that lead to this result?

Alan: So I definitely give credit to Godrej and Christensen for trying. Again, it's always easier from the sidelines to criticize someone, it's always easy also to connect the dots looking backwards. But there are some things that I believe that would have helped prevent this or help them recognize at least that they were taking a risk in going this. And it kind of comes back to what we said before and, even like the title of the book, it's about understanding what competition is from the point of view of your customer. Now I totally believe that they were...Godrej was tapping into some way that customers obviously would like to improve. And these were for low-income people who had no kind of refrigerator at all. And so



they were really trying to introduce to them a new way of, well, their opinion about having home that they should have some kind of home refrigeration and now improve their lives in all these ways. They don't have to go shopping every day and they can have food last longer, so on and so forth.

But here is the catch. And this actually goes back to a problem and why kind of jobs-to-be-done actually invalidates the theory of disruption and so on and so forth of what we're talking about before, was that they didn't appreciate the point of view of competition from the point of view of the customer. From their point of view, they were already using things such as clay pots or another innovation called a pot-in-pot which is where you dig a hole in the ground and then you kind of like fill it with sand and then put your pot inside of that and put the sample water, or even just go into the store every day and buy your fruit and vegetables every day, all that you need for the next day. So that was actually that competition.

And so, when they released the chotuKool they didn't appreciate that, they didn't appreciate, "OK. How can we get people to switch? If we are going to introduce this better way of living and interacting with the world, can we make it so that they're actually able to switch from a way from the clay pot and from the going to grocery stores every day?" And I don't believe that they could have done that because they were trying to offer an electrical refrigerator, which from their point of view they don't... then this might be their one or only electrical unit. So they will be, "OK, what if power goes out? Yeah. You say it has a battery in it. That's great. But I'm sorry I live in an area or am part of the city, which doesn't get reliable electricity. So I'm concerned about that." So there's some anxieties about that.

And the other thing is that it still was expensive, it still was worth like...It varies, of course, it could be anywhere between one and two months of pay for them. And so that combined with some other things it was just, they were like, "You know what, I'm going to stick with just my clay pot." And they were..that because actually the clay pot, if you look up online, it's very, very effective. It's very good at keeping things at a low temperature. And I mean that's why it's been around for, whatever it is, 5000 years.

So that is, and I think I wrote it in the book, why it's so important that if you are going to introduce this better way and tap in this Job To Be Done, tap into this way of showing customers a better way and then how your innovation helps them get there, make sure that you understand what customers are going to stop doing when they start using your product. That is crucial, that is crucial because I made that mistake myself as an entrepreneur and that was kind of one of my crash and burn companies. I created a software product. It was a visual presentation soft-



ware that we used to kind of organize your data and share it around. And I just did not...people used it but no one would pay for it. And it was like, "What's going on here?" and they were like, "Oh, you know, I can just use this other free software. Why would I want to pay for yours?" I was like, "Oh, OK, crap." But that's nice. I get to recognize that what are people going to stop doing when they start using your product.

And you can charge for something, you can get people to say, "Well, we're not paying for that thing now." But I think that they will pay for this. You can do that. Absolutely. People have done that. But just make sure that you really even give much more progress that they would be willing to pay for it. Or, something that I do with people, start with like a really, really kind of easy...Five Euros a month or whatever it is. Or maybe a cheaper innovation to kind of get them in the door first, and then try to get them to upgrade later on. So that was kind of the things that I would have done going differently into the chotuKool but not just in hindsight bias and connecting the dots. It's just lessons I learned in the past already. And so when I read that and I was like, "Oh, I know exactly what happened to you." They didn't they quite recognize that, "OK. Where are they spending now? Our customers, where they're spending money now and where are we going to steal money from and have them start spending it on us?"

Balint: Yeah. You analyze and this case but also you bring up other tools in your book which I liked also, analyzing looking at the anxiety and the habits that keep customers from switching which you also alluded to, at least, anxiety as best.

Alan: Yeah. Absolutely.

Balint: So here probably you had the habit of using these alternative solutions and that you really have to think and give them all the incentives so that they are ready to switch.

Alan: Yeah, absolutely. And that's exactly and especially you have think about it. These people, it's not just, "Oh, hey, you know, we've been using clay in refrigerator or we've been going to the market every morning for my whole life, it's more than that. Well, this is how my parents did and my great-parents did, we've been doing this for 100 years. Why should change it now or in a thousand years?" So long. So that's just like so much kind of a habit I guess, if you want to call it, or a prejudice to the old way, allegiances the old way, that you have to make sure that you at least have a plan to overcome.

Balint: It's even difficult to switch from one product inside one product category, for example, one type of detergent, "Tide" to another one and this one is a completely different category.



Alan: Yeah, yeah, yeah. So, exactly. And even.. So that's why it's... Things like education and if you do think it is a better way, make sure it really is a better way. Even like in the detergent example, there are like when that little pills came out, instead of the liquid or powder you have a pill that you put into your washing machine or maybe into your washer and dryer. That would be a new way but it was new but it was at least familiar enough that people to be like, "OK. So it's just like the detergent is just kind of like squishing like that pill. OK. I get it." I think at least connect the dots because this is something else I talk too. For example, the iPhone that we talk about, it's been talked to death but it really is a great example of innovation. But if Apple had introduced the iPhone in the year 2000, I don't think it would have gone anywhere. Because how would it fit into people's lives? Like you say, "Oh, you can watch movies and do all this e-mail, and do all this amazing proactivity on the go." And then be like, "OK. Well, e-mail, I just started using e-mail. Or like Facebook. Oh, Facebook on the go. What's Facebook?" Their life is so different. They have no way to plug into it. And so that's one problem that I see with people or something for you guys to be aware of is that don't outinnovate the customer. Don't go five steps ahead of them. Just go at one or two steps ahead and make sure they can follow you, that they are able switch to you.

Balint: In line with what you said, first Apple prepared the ground for the next innovation for the iPhone because, first, they came out with the iPod and that already had some of the features of the iPhone, thousand songs in your pocket. And that way they didn't just wait for the environment to get better simply but they also actively contributed to it to change it.

Alan: Yes. That's actually right. That's actually an interesting thought experiment, which we never know. It's history, we don't really know. But what if there hadn't been an iPod? And what if Apple had only done the iPhone in 2007 or 2008, I guess 2007, and they be like, "Oh, OK that's really weird. You know that's it... I might be just as well using CDs." And like all these other kind of stuff. So this idea of just of a glass surface or this kind of interaction model that they will be presenting might have been so different that people might have just rejected it or open enough. So that's very interesting, I haven't thought about that but I like it.

Balint: I love the topic, as you know we discussed this also on Twitter after I read the book and also when I was reading the book you're very approachable. So I also encourage the listeners to contact you and join the topic even on Medium where you have a series of articles, also contributing authors to this topic. I would like to now move on to the last section of the interview. So I'm going to ask you four questions and these would be short, and also it would be great to have a short answer.



Alan: Oh, okay. Good.

Balint: So the first question, if you could time travel back to the time when you were in your early 20s, what notes would you give yourself?

Alan: I would say that... I'd say, "Alan, before you begin your next business or entrepreneurship or whatever, have a clear idea of who your competition is going to be and what money you're stealing from." That's what I would say.

Balint: Yeah. So, definitely going back with the mindset that you have now.

Alan: Yes.

Balint: Of course. The second question, if you had to name a book, even two books, that had a big impact on your thinking and on your career, what were those?

Alan: So, I'll go with the most recent, let's say last five years I would say, books I've read in the last five years. It's tough because I read mountains of books so I'll stick to the ones in the last five years, the last two, that stick to my mind. One is Demming's book *The New Economics*, came out in 1993, it's actually a nice short book. Brilliant stuff on everything from management to innovation and that the guy is... It's very easy to read and some great insights there. And the next one is a book I read about, maybe four or five months ago, actually, so more recent book called *The design way* and I think one of the authors' name is Nelson, and it's about design theory. So some people might get into it and they might be like, "Well, this is kind of crazy." But if you're willing to stick through it or at least read some certain chapters, there's one chapter in there called *Desiderata*, which I've been getting into a whole lot more it's very short and easy to read. Read that and think about it. That's what I would say it.

Balint: It would be great if you could send me these titles because then I could put in the full title of the book into the show notes Yep. The third question, habits. Do you have habits?

Alan: Oh man I'm trying to. I'm trying to...It's like I'm trying to design myself or I'm trying to design a successful version of myself. I'm trying to have a sense of good habits. I'm trying to have this habit again of writing a little bit each day but it's not necessarily to... I mean, I write all the time, I write tons, but it's not necessarily to publish something, it's to help me kind of understand, get my thoughts out so I can actually be consistent in my thinking. So that's writing every little bit is really good, reading a little bit each day and talking to someone different as often as possible. It's an idea of Taleb *Anti-fragile*, I try to interact with different



types of people in different types of situations as much as possible. So I can kind of expose myself to things that I may not otherwise be exposed to.

Balint: Yeah, to open up your innovative mind.

Alan: Yeah. Yeah.

Balint: Well, just as a side note I also do similarly, I am reading in the evening late, in the evening and I started more intensely journaling so that, it's in line with what you said, so that you can do a retrospective. So thinking back, writing down making it clear and also just simply brain-dumping what you have on your mind. Yep, it helps a lot. The fourth question, because sometimes you get to travel, like you told me you had a European kind of tour recently, and what kind of cultural differences have you encountered, have you seen which you could overcome?

Alan: All right. So there is actually... So we talked about one before which, earlier when you and I were talking yesterday which I agree with and I mentioned that and there's one more I just was talking this morning about with someone else, so there's two things I've seen. One is we're dealing with customers which is true. Actually, these topics are... Actually, I am going to start with this... These two things are actually free up to the bigger topic, idea, which is this.

Different cultures have different points of view when it comes to thinking about design yourself or creativity, or being proactive in change. So, for example, Americans and people in the West are much more proactive in changing themselves, in experimental and that kind of stuff. Or some other cultures which I see which happens a lot in China and some other parts of Europe, especially Eastern Europe, which maybe used to be Soviet also, they're much more reactive which means that they kind of expect someone else to make the decisions and show them the way to go, and so then they need more help or you get to fill in the picture, draw the picture a bit more for them. It actually comes back to this idea of the diffusion of innovations.

In the beginning, you have the innovators who are very proactive in change and then on the tail end of that diffusion curve, you have the laggards. And so, I find that some call it... And actually, I have it on a cultural level too. Actually, a diffusion of innovations is a social system's phenomenon but they get the idea. So think about that with customers who, certain cultures are much more proactive and open to change and some cultures are not. So you have to work harder, there's more habit and anxiety involved in change. But also employees. Here in America and in some other parts in Europe, like Germany is good and England is good, they are very... Employees are very happy to participate in the design of a



product whereas some places, maybe again like in Eastern Europe or China, they just can't see themselves as cogs in a wheel.

I mean, I'm generalizing of course, but it's seems to happen more and more and more often, and I think those two phenomenon are related.

Balint: I share this view because originally I come from Hungary and so I know that sometimes people there can be pessimistic and they just go with the flow that is set by other people and not creating the flow. And I guess probably it's slowly changing when the borders are opening up and new ideas are coming in. So I had a good time discussing these topics, and it before completely closing off this interview, Alan, what would be the best way for the listeners to reach you?

Alan: So I'd say Twitter is good to reach out to me on Twitter. I'd say that's probably the best way, the easiest way, the lowest friction way. You should DM on Twitter, I have it on my profile where anyone can DM me, direct message me. I'd say probably that's the easiest way. And then if it's like hey, this is probably better for us to talk in person or you shoot me an email and we'll talk about it and we can escalate the conversation after that. Probably Twitter, DM me is probably the easiest low friction way to... If you have a question for me or some comments, that's the best.

Balint: Yeah. All right. It's been a pleasure picking your mind and learning more about JTBD thinking.

Alan: Thank you. Thanks for this. It was very exciting.

Balint: Thanks. Thanks a lot for listening. Show notes, links, transcript, pictures.