

# **Product Management and the Toaster**

with Tom Klaff

**Announcer:** From the studios of Final Milestone Productions overlooking the White House in downtown Washington DC. This is PM Point of View®, the podcast that looks at project management from all the angles. Here's your host, Kendall Lott.

**Kendall Lott:** Hello and welcome back to PM Point of View®. Another elevating-the-conversation edition. I'm co-host Kendall Lott playing digital nomad this week recording on an open mic here in the center of Harlem, New York City. So... You may hear some sounds of a vibrant city in the background: construction, fire engines, and buying and selling out of carts have been going on on the street here, and I heard an ice cream truck about 10 minutes ago, and I almost jumped out of here to go get one. So I'm here today with co-host, Mike Hannan. Mike, how are ya? And where are you reporting from, man?

**Mike Hannan:** Hey, doing great. I am not too far from you, but down in the DC area—Bethesda Maryland.

**Kendall Lott:** At least not out in Utah, this time, huh?

**Mike Hannan:** Not this time. And I was actually born in New York, just in a different borough than the one you're in now.

**Kendall Lott:** So Mike, just a quick question: cue us up for possible future projects. Anything happening in the project management world that you had on your mind of late besides, you know, working with clients?

**Mike Hannan (01:14):** Yeah, in fact, there's one consumer products firm I'm helping right now that's actually looking to use project management techniques and a whole bunch of other digital AI and augmented reality stuff to do things like track the consumer's eyes while they're shopping for a product on a shelf in a Target or whatever.

**Kendall Lott:** Oh, wow.

**Mike Hannan:** And learn more about... What, what do you call it... What packaging and branding effects tend to draw people more than others, so that'll be a whole lot of: *We don't know what the end product is supposed to look like, but we know there's a lot of promise to iterate through it.*

**Kendall Lott:** What we needed was more tracking. I don't think any of us have enough tracking right now, so thanks for working on that.

**Mike Hannan:** Yeah, let's track people more. Let's track their eyeballs in a more detailed manner.

**Kendall Lott:** Now we're tracking their eyeballs. Now we don't just count eyeballs; we can literally track what part of the page you're reading. I've heard they've done that with resumes before, right, to see what people actually bother to read. So we'll see from there.

Well, actually that ties today, consumer products were on there. We are gonna have a conversation today, listeners, that's an extension of the conversation we've had in our last two elevating conversation episodes. And we've talked a little bit about estimating and the ability to set

expectations for the capacity you actually have and when do you start seeing return on investment and what is that relevance of that question to project managers. And my sense, Mike, is that we've been getting into the role of trying to really elevate what a project manager should be seeing, and it's beginning to climb the product management in my mind, but I don't know a lot about product management. So we kind of touched on that a little bit.

I feel like we've almost side-stepped the argument by blending the roles a little bit, and I was reminded in a conversation you and I had with another webcast, I think, your role in how you define projects. And I was wondering if you'd whip that out on us a little bit like how you see projects is different and let us put that back in our mind.

**Mike Hannan (3:14):** Yeah, so if you think of projects is just an investment period that hopefully will give us a payback period, and that's the reason why we undertake it in the first place, right—we expect to pay back to be better than what we sacrifice to get there. Then of course, you go right to a product. If you think of a bridge, like a project to build a bridge. Well, obviously the value is in the bridge and having people be able to cross the river and all that stuff. But what a lot of product people don't always get is that there's a lot more going on being delivered than just the bridge itself in order to have the good bridge: a bridge that works and meets specs and handles traffic both ways and is flexible enough to change in morning rush hour, afternoon rush hour, and all these other product attributes. And so I think they absolutely overlap quite a bit because that product is the value is where the value is embedded. But it's not the only thing.

Maybe another example that's easier to understand is a Tesla car; all of the maintenance manuals that the repair shop has to have on hand to give you the kind of fast service you expect is part of the product. You don't realize that necessarily when you buy the car. But that better be there, right? That's part of the value proposition to the consumer.

**Kendall Lott (4:30):** That's where we're getting the collision, I think. Well, go on to our special guest then is where I think we're gonna need to head here because we've got a guy who's actually produced some consumer products and actually lived the life. And he's a colleague of mine out of one of the meetings, one of the CEO groups that I'm part of, and I got to hear him talking about his product when it was just an idea in somebody else's brain. And then, lo and behold, there it is on the shelf. So, as I said, this is an extension, and you know the consumer products are right on topic here.

So, PMs, if you wanna know how we fit into this, you've come to the right place because today we have Tom Klaff, a CEO that you've probably heard of already. We've already had twice on the podcast, on “View from the C Suite.” So Tom is the CEO of Revolution Cooking, and he is the leader—Tom, I wasn't even sure what to call it—The leader/steward/progenitor of the \$400 toaster, as seen on Good Morning Football and Wall Street Journal last year. So we're gonna hear your saga, man, and we're gonna come and mine it for enlightenment. Tell us who you are, man. How'd you get here? 'Cause you've been doing this stuff.

**Tom Klaff:** Well, I think of myself as a disruptor, and that's probably more than anything else. I'm not in love with toast or any of the things that we do, but I really enjoy disruption, and that's really been foundational sort of drive in my career. That's what I'm passionate about. So to me, there's a model I've always... I've always looked at opportunities in this way. I look at large industries with little-to-no innovation where I can identify a problem that I can solve with unique technology that

disrupts. And the problem's gotta be painful enough so that the technology and the fit or the product that solves it is valued. And that's really, it's about simple as it gets. And you can look at any industry and apply it. To me, many entrepreneurs—most entrepreneurs—grow up in an industry, and they have that vertical knowledge. They know everything about that industry. I think I have ADHD when it comes to that. I don't have that on my side. In my model, I like to find people who really understand the industry, subject matter experts, who can really educate me about everything about that industry, and what I bring is the disruptive eye. And that's really, you know, the method here, and that's what we're doing with small kitchen appliances with Revolution Cooking, a company I launched a few years ago.

**Kendall Lott:** Yeah, I was surprised 'cause I wasn't thinking of toast as being a pain point, like you were talking about, something that's painful enough. I never thought, “Well, my toast is painful,” where it's painful for me. How'd you get to this idea?

**Tom Klaff (7:25):** Well, I was introduced to who is my partner now, and it was really, it was sort of his passion player pain point. His name's Bruce...Bruce, 40 years ago, when he launched his business—one of his many businesses—he would bring in bagels every Monday for his team, and it was a very small team at the time. And as the company grew, he noticed lines forming out of the kitchen as people wanted to toast their bagels. And he's a very driven guy, type-A personality, and he was just scratching his head... He's like losing all this productivity every Monday, people lining up to toast their bags.

And he didn't want to abandon the tradition 'cause it was part of the culture, so he would just buy more toasters, and circuits would pop, and it was just frustrating to him, so he was bemoaning everybody: “Why can we put a man on the moon and we can't toast bread any faster than three-and-a-half, four minutes?” And that was really the genesis of the idea that he had 40 years ago. And, you know, he's a gadget guy. He gets married. He gets one of the first Amana Radar microwave ranges as a gift. He puts a slice of pizza in to heat it up, and it comes out all soggy. He's like *wah wah*. I have this great, cool microwave appliance, but it sucks. The food tastes bad.

**Kendall Lott:** Is that when he called you or is that what he told you later?

**Tom Klaff:** Well, he was stewing on that one for about 30 years, so all of this was just growing. It really... I mean [...] 40 some years ago. I met Bruce about five years ago, and I was intrigued. I had never even considered—I don't operate in the kitchen; my wife does. I'm a terrible cook. I don't know how things work in the kitchen, but he talked to me about his frustration and the pain point. And I thought enough of it that I took a trip out to Chicago to the Housewares Show, which is the largest industry show for small kitchen appliances and cookware, bakeware.

And I walked around the McCormick Place and looked at every toaster oven that was on the floor, and I realized—my gosh, you know, every toaster whether it's a \$10 toaster or a \$400 toaster. Every oven, if it's a countertop oven or toaster oven or wall oven, into the tens of thousands of dollars, all have the same technology: infrared heating coil—the squiggly grill coil you see. Or in a toaster, it's a heating card with ribbons—same thing. So, but the industry itself charges price points based on brand value and the look and the feel and the finishes, and that's really how innovation is perceived in that industry. And when I looked at that, I'm like, gosh, there's a real opportunity to become the new standard for cooking.

**Tom Klaff (10:33):** You know, if we can figure out a way to solve this problem. And I think Bruce's onto something. So that's really how it started. And Bruce had invested in some technology with this inventor over a decade before I met him, and it was interesting tech. It was mostly patents, nothing really commercialized. And he really wanted to get into the consumer space, so I was beautifully naïve and said, “Sure, why not? Let's take a swing at it.” And we decided that we were gonna follow the path that Dyson, the vacuum cleaner company, came up with, which was you invent something that's disruptive. In this case, a motor that powers a bagless vacuum cleaner, which is novel or innovative. And in order to get the motor into the market, that vacuum cleaner, that appliance, had to be the vessel. Because nobody was gonna take that motor in under a different brand, pop it into their own appliances. They didn't, none of these brands knew what to do with the motor in their current vacuum cleaning lineup. So Dyson decided in order to get this to market, it's cheaper, faster to build our own product line and do it ourselves, and that's what we did with our toaster.

So our heating system, which we call InstaGLO, is what we invented, and it was able to... Well, the difference is that we invented a heating element that had what's called low thermal mass. It didn't have a heavy metallic fore factor that a calrod grill coil has, which takes a long time to heat up. Which is the reason why your oven takes 20 minutes to pre-heat to 400 because you have to put all that energy into that metal so that it can heat up so that it can project infrared. Ours heats up in seconds, doesn't require that long time to preheat, and it's a different metal alloy, different structure, different geometry, different everything. And that's the real difference.

So, we built this to operate a toaster first because it was simple. We thought of it as an R&D exercise because it's a small cavity, doesn't require a heck of a lot of engineering. We ultimately wanna go into the microwave category, and that's where we're heading next year. But to do that, we had to learn about how to build something as simple as a toaster, and we realized—quite soon, very early—that it's not that simple to build a toaster.

**Kendall Lott (13:08):** Let's put a pin on that for just a second. So, when you got started, did you have a sense of the kind-of final product you were after? Or was the product around that technology the InstaGLO, the hyper wave? Like, I'm trying to figure out when I can see the project starting and forming and when I see serial projects happening.

**Tom Klaff:** Really good question 'cause we didn't know what we wanted to be when we started. We thought, “Oh maybe we'll license it to a third party, and they'll take it in, and they'll put it into their appliances.” And then we learned that that's what Dyson tried to do, and it didn't work because these brands, they just didn't know what to do with it.

**Mike Hannan:** And they don't wanna cannibalize their existing products, right?

**Tom Klaff:** They don't wanna cannibalize their existing products, but decades ago, but they outsourced their R&D and engineering into China, and they don't have that innovation capacity, for the most part. So, then we thought well maybe we'll just be a heating element company. And then we decided, “Let's do the math on that, and let's figure out the sales cycle on getting our heating elements into toasters onto shelves.” And it was... We don't have any control. To your point, Mike, we don't have any control over a brand's ability to put this on their shelf or even engineer it into their products, and then they have to clear out their inventory from their prior year. So we didn't have control of the sales. So we shot that down, and we realized the best path for us right now is to

get our technology into the market under our own brand and our own appliance.

**Kendall Lott:** So you have a whole design piece that has to kick in here. How much background did you have in the home manufacturing—I mean, there's materials going on here, right? You've got material science. Tell us about the arc of the narrative here a little bit then. So what happens next?

**Tom Klaff (14:58):** So, I needed to find an expert, I would say a savant, who could really figure out how to innovate, invent. And I did actually; it was like a needle in the haystack. And it was through a friend of a friend, through a network. And I found a team up in Boston led by this individual who had 30 years of experience building ovens and knew all about heat transfer. And this guy was an entrepreneur, he wasn't... Even though he was a consulting firm, he thought like an entrepreneur, he acted like an entrepreneur. He had a team that was nimble and willing to do whatever it takes, and that's what I needed in a partner, so I formed a partnership with him personally and his firm to get us into the market.

**Kendall Lott:** Keep going. So then you decide to get into the market and what happened? 'Cause I remember this arc—how many years are you in at this point, you're in the first year? Second year?

**Tom Klaff:** Yeah, second year, 'cause the first year was licensing, which didn't work, and now we're in the second year, and it was with my partner, Phil up in Boston, where we actually did invent the heating element that worked. And then we came up with... Well, it's one thing to invent a heating element. Now, we need something that's aspirational, that somebody's gonna wanna buy, that's clever, that's unique, that's gonna create buzz. Just like Dyson did with its bagless vacuum, just like Vitamix did with its blender, just like Keurig did with its coffee machine. Those are three examples that we look at where they've, each have taken entire categories—vacuum cleaners, mixtures or blenders, and coffee machines—and have done some innovation to deliver a better experience and charge a higher price point and then create a tribe of rabid consumers. And that's really what we wanted to do.

**Kendall Lott:** When you were driving to that, you said we tested it. I'm just imagining you guys sitting in a room somewhere with somebody who's gonna invest, and you're hoping the toast doesn't burn. I mean, how did that happen, one. But what I'm really getting at is, was that a project? I mean, who's running that to get you that far? It's just the two of you or did you have someone doing project management on this?

**Tom Klaff:** Okay, yeah. So really it was like... So I came up with like, “This is how it's gotta look like. This is what it's gonna look like, this is what we gotta do.” And, you know, we were drawing stuff up, and there was not much sophistication with this. But, Phil had a team. He had a program manager. We didn't have a product manager at the time, but we had a program manager who knew if you work backwards from getting a product on the shelf, counting backwards all the way to design, all the steps, and we put that all into a Microsoft project, we scheduled it out. We scheduled out how to do this, and it was a forcing function because we had this handmade prototype that we built, and we didn't really... We didn't get onto the schedule until we got a retailer interested. So Williams Sonoma with our handmade prototype said, I want this in our fall catalog. And this was in July—June/July of 2019. And then all of a sudden it was like we were on hyper drive. We had to figure out... We had to give the company a name, we had to give the company a product name too, we had to find factories, we then modeled out and put together a schedule on how to deliver, in this

case, air-free toasters into Williams Sonoma stores to meet the holiday season in time and get certification.

**Kendall Lott:** And you have one that was handmade in July and now we're ready to go for the holiday season?

**Tom Klaff:** We made it by November 15<sup>th</sup>.

**Kendall Lott:** Sorry, Mike.

**Mike Hannan:** I was gonna say because I happen to know that that requires more than just delivering some kind of manufacturability and being able to produce some even at small scale. You have to have all the online catalog, all the e-content, all the specs, all the pricing guarantees...

**Tom Klaff (19:02):** It was you know, how the sausage was made. You didn't wanna see it but you got to be forced. But you're right, Mike. It was careful coordination; it was stress. But we had a very small team doing this. We did actually have a factory lined up in July anyway 'cause we were gonna... We had a tacit agreement from another retailer to take on a few units—I'm talking like maybe 100 units—but this one, Williams Sonoma to us was the market-maker for us. Once you get into that catalog, once you're on that shelf, they give you that brand relevance that you need. So we... And you can't miss the mark with them; you have one shot. So we worked 'round the clock, putting together that schedule, lining up suppliers, sourcing everything, and that was project management.

Just figuring out when the components needed to arrive at the factory floor, how we're gonna assemble it, quality control, getting it onto a boat and getting it over the water into a warehouse. We had to get a third-party logistics firm lined up in Los Angeles and take our products into their warehouse and then get... Then it was the logistics of getting it out of our warehouse to the distribution center for Williams Sonoma to get it then into their warehouse so they can sell it online.

**Kendall Lott:** So, do you have a product manager at this point who's owning the problem of getting that all happening, who has a project manager supporting them on those pieces or... What are the roles that you use there?

**Tom Klaff:** Well, we didn't know it at the time. We had hired a woman. She had a couple years of experience, but she came out of the Army. She was a military academy grad, and she ran logistics in Kuwait, right, say missiles. So she became our de facto product manager. I mean like, product manager, we thought, is more of a marketing function in our company, but she already had the program management mindset. She built the schedules. She was the hub of the wheel, and it was invaluable to all of us because she kept the schedule. And she negotiated with engineering, she negotiated with marketing and sales, timeline, negotiating all the time. And it was so important for us to meet that schedule. If we were slipping and if there were any interdependencies at work, I mean, she spotted 'em. We fixed them quickly. She was invaluable.

I didn't know what it was called at the time, Kendall. All I said is it's "get-shit-done person."

**Kendall Lott:** You said time... I remember you saying like—Mike, you'll love it—but it was like, "Time is the problem." You can't miss November 15<sup>th</sup>. It doesn't matter how much resources you

use; you can't miss November 15<sup>th</sup>.

**Tom Klaff:** If we missed November 15<sup>th</sup>, we would not be in business.

**Kendall Lott:** The product goes to zero.

**Mike Hannan:** Yeah, I'll go so far, Tom, as to say that had you not had that person with that kind of mindset and thinking and understanding how to put a schedule together, I don't think it would have mattered how many resources you threw at it, how 'round the clock you worked. I think the probability of success would have been about 5%.

**Tom Klaff:** Right. And thankfully, Phil had that mindset, and this woman, Robbie, she had that mindset, so it just... It came together. But I wouldn't say that it was premeditated. Like, "Oh, I'm gonna go hire..." We just... We have to have somebody on staff that we brought in who understood program management, and we were getting her down the path on product management, and she understood logistics from her prior career. It was just fortuitous that she happened to be in our company at the time.

**Mike Hannan:** I'll go further and say—you guys understood something very basic that a lot of organizations I just don't think have a grasp on. And that is how to apply good, clear thinking on: "In order to achieve this, we must do this." In order to... We must. In order to... We must. In order to... We must. You work from the goal backwards, and you lay it out in a schedule, and if it's not giving you the answer you want, you then say, "Well, how else might we work this?"

**Tom Klaff (23:27):** Mike, that's exactly... If we didn't have that forcing function on November 15<sup>th</sup>, I mean... I think a natural tendency is, "Well, let's test it more. Let's make it more perfect." And perfect being the enemy of good, launching something new nobody's gonna have a reference of what it was before. So why don't we get it out there, learn, and we'll make adjustments along away. So that's really what we did. And what was interesting is we didn't have... To accelerate the testing time, we needed a lot of people to test this thing, right?

So I said, "Well, guys, one of the big problems that we're trying to solve is hotel breakfast buffets. A lot of people go through the breakfast buffet. Let me talk to a couple of hotels and see if we can just pop it into their breakfast buffet for three weeks, and let's observe. Let's learn what this thing can do with hundreds of people coming through it." And that's what we did. And thankfully, we got cooperation from some of the hotel general managers, and they let us come in, and we learned a ton about how this product was gonna work.

**Kendall Lott:** How did you set that up? I mean, that sounds like a little project in and of itself. You set up criteria that you'd be looking for, and you had some of your first run product or were these all the handmade ones?

**Tom Klaff:** These were handmade prototypes we built in Boston; we built a number of them.

**Kendall Lott:** So, built prototypes, got them into these hotels where you had a lot of foot traffic?

**Tom Klaff:** We did. And then we had some of the engineering builds off of tooling from the factories come in. Now, granted, these weren't UL approved, so we had to stay there with the



toasters, but... with a fire extinguisher. But we learned a lot, and it got us a lot of use. We learned a lot about the electronic system, we learned a lot about the UI UX, what people... With the experience, we got feedback right there.

**Kendall Lott:** Well, tell us a little bit about this product then, because we're talking about how you built this thing, we're gonna talk where you took it from there as well, but go ahead and tell us the spiel—the important specs we need to know as consumers on this product.

**Tom Klaff (25:43):** Well, it's a \$300 toaster, and it delivers a better-than-\$300 experience, as our customers are saying. There is a price value equation we apply to it, and that is: the customer intent to buy = the experience we deliver + the brand relevance that the toaster has + the aspirational value of it (How does it look on my counter? Is this something that I can speak to other people about? Does it give me pride?) all that / by the price. And what we did was we said—look, no knobs or levers on this. Consumers are used to their iPhones; let's make this a fully interactive touch screen experience. Let's create different designs, slant the front so you can see it optically, create some eye-popping graphics that give a wow experience, and then deliver a different type of toasting experience in general, where you...

You can actually on a touchscreen, see what your bread's gonna look like when it comes out by seven different toasting levels, so you can flip through it and you can see the graphics change as you go from light to dark, and then you'll be able to do that for bagels, we have pre-sets for bagels, English muffins, bread, pastries, and that's sort of how it works. And when it's not operating, we want people to keep it on their counter, so we designed a nice-looking clock, either an analog or digital clock, so it just lights up and it could be your clock in your kitchen, and when you put the bread in, the bread goes down automatically, and when it comes up, there's a nice little happy chime. Consumers just... We wanted to bring joy [...].

**Kendall Lott:** Well, it operates faster, and you said you were put in a hotel. So the whole point is you get the right bread faster, so we've got a faster, better...

**Tom Klaff:** It is. We thought the speed was gonna be the most important thing, but it turns out that it is faster. It's not like mock speed, but it can toast in about a third to a half the time of a regular toaster. But the benefit really, what we found out was that the bread just tastes better because it doesn't dry it out. It locks in all the flavor, the sugars, the moisture. So when you bite into it, even if you char the outside, making it completely black, the inside will be soft and warm, so it's not crackly like a baked out piece of bread that you get in your toaster. So consumers like that. They say, "Wow, it tastes different."

**Kendall Lott:** You managed to get it into the catalog, or into the stores, for [Williams Sonoma]? I'm sorry. And then what happened?

**Tom Klaff:** It just took off. Williams Sonoma gave us a purchase order for what they thought they were gonna sell, how many units they were gonna sell the toaster for.

**Kendall Lott:** What year was this?

**Tom Klaff:** This is November of 2019. Leading up into last year. We had an exclusive through March of last year.

**Kendall Lott:** We talk about externalities when we're studying our PM Body of Knowledge, our guide to the PM Body of Knowledge, the PMBOK. They always talk about externalities, external stakeholders, and they talk about environmental risk and these things that we read about, so we can make sure we pass the test. But nobody writes all of this into their project plan usually. Kind of above-our-pay-grade is kind of the take I've had before, certainly that I've observed, and I've taken. You were doing that in 2019, and you're sourcing this out of Asia, out of China specifically, aren't you? As I remember? Yeah, so we had a whole political thing happening there, right? I mean essentially a trade war or a cold trade war... I assume you didn't plan for that. How did that happen? And then we haven't even gotten to the drama of 2020.

**Tom Klaff (29:51):** Yeah, so tariffs did come down just as we were launching, so we were, gosh, what's this gonna mean... We were paying an import duty that was relatively low, and if we qualified it would have been eating up a lot of our margin, but we dodged that bullet. We weren't on that list, but it could have happened any minute, so we were just navigating a minefield. There are a lot of external things... Doing business in China is different. We realized that you needed a team there, you can't fly in, fly out. Working directly with the factories, they're part of your project plan because they have a project schedule too, and you have to work with their project schedule on their capacity, on their manpower. So, all of that has to be integrated.

So, it's a very tight coordination with our partner in China who assembles for us and our supply chain: ordering components, making sure that are available, getting them into the assembly plant. We manufacture our heating elements in a different factory in China, so we have to structure supply agreements with that factory, with the other factory, so that they have exclusivity. And our team is on the phone night and day with China, every single day, including weekends. It's that carefully coordinated. So, like I said, I think I've never realized that a toaster was this complex. It is very complex to build something that you think is so simple.

**Kendall Lott:** Well, let's run around the knowledge areas a little bit here. You've just hit on the fact that there's a whole contractual level of this. How big is this team that you're talking about? "Our team did..." At this point, 2019 heading into 2020, how big is *this team*?

**Tom Klaff:** We had under 10 people, not many people. We had some contractors here and there, but the core team was less than 10 people.

**Kendall Lott:** Where is the product going to now? What happened when you hit 2020?

**Tom Klaff (31:59):** Literally, once the end of March hit and as our exclusivity with Williams Sonoma was ending, we were loading into 15 other retailers—brick-and-mortar stores, going into their e-commerce. We had planned a sizable launch for the spring with more retailers, and that's when COVID shut everything down. So, we had not planned on going to Amazon; we were gonna go with mostly the traditional retail, small kitchen appliance guys, and when COVID knocked out brick-and-mortar and all the retailers pretty much stopped, 'cause they were trying to figure out what they were gonna do and so they terminated all of our purchase orders. We had this inventory ready, and we had to figure out how to move it. So we then got onto Amazon, literally in about two-and-a-half weeks, and that was our primary mode of distribution for the next three to four months as retailers were coming back online with e-commerce, getting more comfortable with their strategies. And we still hadn't been in brick-and-mortar though. Last year we were not in any brick and mortar—Best Buy, we were in brick-and-mortar, but that was towards the fourth quarter.

**Kendall Lott:** As a project team of 10, do you have someone defined as project manager? I'm hearing that you've got the product manager, but do you have people who handle different pieces of the project? Or more broadly, how are you organized to make this work?

**Tom Klaff:** Yeah, so I have an EVP of marketing. In that area, product management, we have a product manager. So my EVP of marketing though also is responsible for brand and e-commerce and digital and PR and everything else. So the product manager is... We believe product management should be under the marketing department because we have to make sure that what we're building—and there're all the requirements in our products—meet a need. It's not something to engineer something and then let's kick it over and see if people like it. We really need to understand the value equation of what we're building, and that's what a product manager is supposed to do. That product manager is really the hub of the wheel and is the one responsible for the features and benefits and the pricing along the lines of that product.

**Kendall Lott:** Hmm, how does that make you feel like, Mike?

**Mike Hannan (34:41):** It's fascinating, I wanna ask a question. You also mentioned that when you first got everything all lined up to be delivered to Williams Sonoma, you had this sort of master scheduler form the hub of all coordinated activity, but then once that was accomplished, then what did that master scheduler/hub person do?

**Tom Klaff:** Well, look, 'cause we have new product development, so now we're... We've been a one-skew, one-category company. This quarter, we're now a three-skew, one-category company. Next quarter, we'll be a six-skew, one-category company. And then next year we'll be a nine-skew, multi-category company.

**Mike Hannan:** So, she's still there and she's still a hub, but then how does that hub coordinate with the marketing? Who are, as you say, kind of keeping their pulse of what customers want.

**Tom Klaff:** We have a roadmap, so we build a product roadmap based on what we believe, what we're hearing back from consumers, what they want... As an example, one of the things that we launched this quarter was a panini press, a sandwich press accessory that can be inserted inside of our toaster slot, so you're getting the benefit of a whole different appliance that presses a sandwich with something that you already have as a customer, a toaster, and it just fits right inside of our toaster slots. So it lends versatility to the toaster, which gives more value to the consumer, and then so on.

So the complexity of our business is exponentially more as a day-to-day 'cause we're looking at bundling products, looking at distribution that's complex, we're looking at derivative of SKUs specifically for certain retailers that do volume and designing those SKUs for that retailer, so we're getting input from them. All of that, product manager is the brain or the hub around that, and the product manager along with our marketing team basically set the roadmap that engineering then schedules in, So all of that scheduling—and engineering absolutely has feedback into the product itself because we have to understand bill of materials cost, we have a certain gross margin, we have to hit all of that, it is so integrated and so coordinated—but that product manager is the hub.

**Mike Hannan:** And so now I gotta ask... So in every organization, every product organization, there's... Well, the best ones, they have a creative and natural tension between the people that are

like the voice of the customer, “Here’s what the customers want,” and then the engineering people saying, “Well, here’s what’s realistically achievable.” Right, and of course, that natural tension, somewhere they have to meet in the middle or else we don’t have anything, right.

And project management for better and worse, came out of engineering, which is why I think we’ve had a tough time adjusting to understanding that we also have to be the value-delivery engine, which means we have to understand value, which means we have to understand customers.

**Tom Klaff:** That’s right. So in many organizations, engineering doesn’t like to talk to customers; those are the marketing roles.

**Mike Hannan:** So my question here, how do you... What’s that creative tension like for you guys? Who wins the ties? Who’s the tiebreaker?

**Tom Klaff (38:24):** It’s a massive trade-off. It even gets even more complex than that, Mike, because then you have sales saying, “I need it yesterday, and I need all of these other things in it to sell it. Also, it’s not gonna sell.” And I’m like, “Well, how do you know?” Look, and the other thing I’m a marketer, and so I side with the marketing hat, but I’ve grown to appreciate how valuable engineering is as a partner to marketing, even though they are like different-brained, and then you have sales, which is even a different brain than the other two absolutely as valuable. I mean managing that dynamic is really the role of the product manager—you’re negotiating with everyone. You know you’re onto something when everybody’s disappointed.

**Mike Hannan:** Everyone hopefully except the customer, right?

**Tom Klaff:** Exactly. And the customer—you know, like Jeff Bezos and Amazon always has a chair empty in every meeting like it’s the customer—there’s a lot to that. I mean the customer, the voice has gotta be in everybody’s heads. We force everybody to read reviews, everybody reads reviews. We constantly monitor that. We talk to customers. I pick up the phone and call customers; it’s important.

**Kendall Lott:** How do you keep those things integrated because I heard you talking about that and my brain went to, “Oh open communication—somebody knowing how to communicate and interact is really important.” And then that led me to like, okay, so once you get over personalities and different styles and people doing it, at a real functional level, how do you keep those different brains working while time is happening? You just gave one example—everyone reads the reviews, not just the marketing team, everyone needs to see the reviews. What are some of the other ways that that becomes a real effort that has to be coordinated, that these different brains have to be linked and integrated?

**Tom Klaff (40:23):** Well, I think it’s the rituals, Kendall. We have weekly what’s called new product NPD review meetings, so it’s when every discipline is at the table, looking at the schedule. We look at the Gant chart together, and it’s not just the engineering milestones, but it’s the marketing milestones, it’s the sales milestones, and it’s tied to each product. So if we have six products, we have basically six mini meetings looking at six schedules, and that communication is invaluable. So the ritual is really what we have during the week, or we just wanna make sure it’s the red, yellow, green... Are we on track with our milestones, so we’re not missing dates? That’s my consider[ation], what I care most about is we cannot slip because, everyday we’re not in the market

with a product, that's lost revenue. So we've gotta make sure that we hit the dates. Those are assets I need to sell. And then at the end of every month, we have these detailed reviews, which basically just... Are we on track month, year to date, what's the forecast look like, and those are more intensive meetings where we get into the nitty gritty, but it's the rituals that matter the most. And I think getting people to communicate and understand what everybody else's milestones are, you feel vested. "Now, I know why I have to engineer this product has to do this because this is what... This is the milestone that Walmart... Walmart was." That, all of that's communicated in these weekly meetings.

**Kendall Lott:** The understanding that one of your colleagues has a need and being able to understand that that's one of the things that's talked a lot in I think even the Toyota way I think the Toyota [...]—what do I need? What am I doing and who's in my way and why? And so understanding those pieces. Do you think that really helps? Is it really at the interpersonal level in the end that, "I get it, that Tom is representing this, and I can't let him down," is that how it works, personify it?

**Tom Klaff:** It's part of it. But the other thing is we don't have unlimited resources either and unlimited time, and so there are bounded constraints. And that's where you have to make the hard decisions. We could do this, but it's gonna cost us this much more money in time to get there; is it worth it? So doing that ROI analysis. And relative to everything else that's going on—so if engineering were to just spend time doing X, then Y and Z are gonna suffer. Well, that's not gonna sit well with this guy.

**Kendall Lott:** Golden triangle there, Mike, right? We've talked about before, right?

**Mike Hannan:** Yeah, you know I think of the simple example you offered, Tom, where somebody said, "You know what, we have to offer a premium user experience, or else the \$300 toaster or \$400 toaster won't sell." But right there, the product manager or your master scheduler or both have a dilemma, right? Because now we have additional scope, additional cost, and it's gonna take additional time, and especially if you gotta meet that Williams Sonoma deadline, you don't really have time. And I imagine you're probably constrained on cost as well, right?

And so, how did you navigate through that to make... What some would say is sort of the opposite of what the Steve Jobs of the world tell to do. Just keep it simple, fewer buttons, fewer gimmicks, get rid of the screen. Just deliver the simple... Elegant simplicity, so to speak. And you went the other way, and it obviously has worked for you. But that must've been a tough one.

**Tom Klaff (44:02):** Well, actually, I would say it's really hard making something simple. I'd say it takes more time. I'm being totally serious. I've a great appreciation for Apple because one of their tenets has gotta be like, "Let's make something that's so great that you don't even need a manual to operate. You just pick it up, and you know how to use it." I mean, that is really, really hard to do.

**Mike Hannan:** It also reminds me of an old Mark Twain quote where he had produced an unbelievable volume of content for his editor right by a pretty tight deadline. And the response was, "Hey, this is way too long; we needed something much more succinct." And he was like, "Well then you should have given me more time."

**Tom Klaff:** Right, that's true.

**Kendall Lott:** You talked about this before, you talk about project management being a role of adding discipline, and I'm hearing a lot today about integration with all the different pieces. And you really emphasize both in earlier conversation and today that time matters. That product and project space is around *don't lose the time*. The time is everything because it's go to market. You hit the deadline or you can't sell. Or in fact, you wouldn't even have a company now, you were saying. And you've lost dollars in the market, even once you're in there, if you're not getting them out the door.

So Mike and I have rushed around this some—he tells the story of the accounting department versus the value tracking department. So I was wondering, how do your project managers see this value? In those conversations, are you highlighting the run rate of dollars not made? How do you evaluate it separate from the, “Oh, we're gonna be behind here; oh, we're slipping here”? Bringing the value conversation in... How is that done, tactically?

**Tom Klaff (45:48):** Well, I think you're right: I think you have to sign an economic case for if you wanna add a feature... What is that gonna translate to? Well, are you gonna be able to charge more for it? And if it takes that much longer, will you make up for it? For us, it's durable goods. It's hard. It's not like software where you can have these running changes and just throw over the wall, and then the next morning they're in and everybody's kumbaya. This is inventory, this is like you have to put a hard stop on your design, you've gotta tool up an assembly line, and you're basically... You're locked in until that production run is over.

So for us, it's not gonna be perfect, but let's deliver the features and the benefits that we know our customers want, and any improvements we can roll in on later production dates, but let's put that into the parking lot, keep that running... And I think it's the analysis of what you put in versus what you keep out. That's key, you know, and that's part of the negotiation, 'cause sales is gonna want everything in. Engineering is gonna want none of it in. And marketing's gonna... We'll say, well, let's do the economic case for why we should put it in or not in. And then here I am, the one who is accountable for the bottom line, I'm like, “Well, if we miss dates, every day we're missing X dollars in sales, that hurts us.”

**Kendall Lott:** Where does the PNL viewpoint happen? Are you getting that out in front of everyone?

**Tom Klaff:** Everyone... Everyone knows the economics of the... Everybody knows the contribution margin of each product, everybody knows what our forecast is. We have all-hands meetings that go through this. It is the economics, the financials are most important because that's the only thing that matters. It's just if people love the product, they'll buy it, and we'll do phenomenally well financially. If they don't like the product, they're gonna buy it, and we're not gonna do well.

**Kendall Lott (48:04):** Talk to me about risk. How did you manage the risk cycles around this? that's an area that PMs study a lot of, and there's a lot of formal processes around that... I haven't heard you saying much about it that way [...] part of the PM discipline. Does it matter to you?

**Tom Klaff:** We do. We have an expected value on risk, so when we look at certain things that would affect time—if there's an initiative you wanna do, we assign a probability. We assign an expected value to it ultimately, and that's how we gauge risk. So some things we're comfortable, we're comfortable launching things with a 60% to 78%, 70% probability. If it's below that, we're

probably not... We'll probably go in a different direction, so we're comfortable with risk to a point. But you have to measure it.

**Mike Hannan:** And you know, Kendall, I would say that just hearing what Tom came up with is basically something that most PMs could really use to up their game, because we PMs are taught to do the probability of a risk of turning into a real issue and the severity of things if it does, but I've rarely seen when they put a dollar sign next to it for a true risk-adjusted ROI, if these things happen or don't happen. And that's again, what PMs are there to deliver... What sounds like what Tom asked his marketing or product manager to do.

**Tom Klaff:** That's how we make decisions. If ultimately it's gonna be my decision on a go/no-go, I wanna know what the expected value of making that decision is gonna be.

**Mike Hannan:** Yeah, so it's like obvious to Tom because he's an entrepreneur, but I always tell PMs, like—think of it if it were your 401K being invested to turn around this product... What would you wanna see?

**Kendall Lott (50:03):** Tom once did something entrepreneur-in-residence, trying to get people to be entrepreneurial. I'm thinking, we may need you to drop in on PM classes and add a little... A little of the, “It's not just to be special, like me. This is what needs to happen on projects. There are some basic tenets that we need to be paying attention to in this way.” Right? I think that's where you went, Mike.

**Mike Hannan (50:25):** Yeah, and even just take that one seemingly small example of how schedule risk: what's the value of a day lost? Well, with the Williams Sonoma example, it was the value of the whole company and in its entire future. Now hopefully you're not risking the company like that every time you turn around a new product, but in a way you kind of are. Right, so to say, “Well, we might lose this amount of sales and that could be bad, and here's the dollar value associated with that.” Okay, but what's the bigger picture impact? It could well be we are dramatically harmed as a company, we are outfoxed by a competitor, we missed the Christmas season again or whatever, right? And I think... Well, you tell me, Tom—even in your company, the Williams Sonoma example is sort of obvious, but do people still see those? Do they still see just how big some of costs of the day delay?

**Tom Klaff:** Every day... Well, every week we have the meeting, we talk about schedule risk and what that means economically... Yes, I think that it's not just new product development. It's if we're making an investment in a marketing program, what do we expect to get a return on ad spend, for instance, if we do this program with... If we have a certain finite amount of dollars and you could use an influencer who is going to do a Tweet out to 10 million people versus going into a direct response television campaign that's gonna be a lot more expensive, what do you do? You can't do 'em both. So everything's a trade-off, and it all boils down to return on investment.

**Kendall Lott (52:12):** It sounds like you're keeping everybody integrated pretty well. You mentioned earlier that you were expanding both your SKUs and your product line ultimately, or categories rather. So as we wrap up here, where does this go? What should people be expecting to see and when? For example, what are some of the kinds of products that this technology has... What was it... The heating unit... [InstaGLO]

**Tom Klaff:** So we really wanna be a platform, and the first stage of being a platform is, is this... How does this extend into other categories? Not just toasters. So we are gonna be launching an oven next year; it'll be in the market a year from now. We're going right after the microwave market, so it's the ability to air fry, broil, grill, rotisserie, bake inside of a single unit including popping popcorn like you would do in a microwave, and it sits right on your counter. Easily programmable, very intuitive. And a high-performance system. So it's gonna be a great cooking system; it's gonna eliminate 12 appliances off your kitchen counter, just doing everything. That's because of the platform.

**Kendall Lott:** Mike's getting excited, already. See, you've already got someone you're selling here... So, Mike... Oh go ahead, I'm sorry.

**Tom Klaff:** That's where we're heading with that. And we are heading into Europe with a toaster since a lot of our traffic is coming in from Europe and we need a 220-volt system to operate, so... So we're building that, and that will help us get also into the commercial market, so that's a kind of a double bottom line benefit of building a 220 system. So those are the things we're working on.

**Kendall Lott (54:03):** So Mike, he's expanding here to me, he's about to make his product become a whole portfolio of products and that walks you into another space, so not that Tom needs any help from likes of us or asked for it, but just for fun for our audience. If you had to throw out some recommendations, some thoughts as he looks to expand and actually flourish a lot. I'm hearing a lot of complexity on top of everything else he's done. Any thoughts you have from where you come at?

**Mike Hannan:** Yeah, and this might sound almost formulaic to you now, Kendall, but it's a pattern I see over and over and over. Somewhere in your operation, Tom, you've got sort of a natural limit on just how many products you can launch effectively, and it's not every person... It's not every skill set, it's likely a mix of skills. It often is some design-type people or a mix of skills that form a design team that can rest with the 220-volt challenge or whatever, and if you can figure what that is and actually stagger your product introductions accordingly, I've seen lots of cases where organizations can double or even triple the rate of new product introductions and real valuable completions.

**Kendall Lott:** But it also has to do with, I think, of not entirely doing it just the way you've been doing it... Right, 'cause I think, Mike, what you've seen before... People get that they should be able to do that, but companies get built, they build one system after another, and it's like taking a step back and doing less to get more.

**Mike Hannan:** Yeah, and it's about having that sort of stable, reliable, predictable cadence. We're in the past, it was like, well, it was all hands on deck, and we just threw every resource we had at it, and we pulled a rabbit out of a hat and thanked our lucky stars and lived to fight another day. But to that into a natural value maximization engine, something that is gonna turn out six and then 12 and then 24 and all that, and keep up, and this is all innovation stuff too, and guessing where the next market's gonna be and missing some and learning from the failures and then feeding that back into your machine, and then just continuing the cadence. I think that's what I would love to see us project managers do a lot more of... In lots of organizations. I think entrepreneurs have a leg up on us, but what I've seen with small companies or entrepreneurs is they also get locked into the founder's mindset and the mad scramble mode of all hands on deck, and that tends to lead to much smaller... Delivering on smaller ambitions, let's say.



**Tom Klaff:** You're right. Look, if I didn't have a program management in the business, product management, I wouldn't be able to scale everything that's coming out of my head. There's no way. You're absolutely right; it's a hand-in-hand marriage. My highest and best use is not being a program manager running schedules, but I need that partner. And it's key in any product-related business that I can foresee.

**Mike Hannan:** Yeah, and as CEO, you own the drumbeat, and you set the drumbeat. And then hopefully the engine executes on it.

**Kendall Lott (57:15):** The part that I got out of this that I thought was most interesting from the conversations we've been having is asking project managers to understand the value of what they're doing. Fundamentally, we're trying to get people to... We talk about it being an investment, you've been tasked with coordinating other people's time and resources that somebody thought was important, and it's actually an investment. And so bring it home. And we've been talking about where does that project line in for project managers? Do they own it all the way until the consumers buy it and there's a return on investment, like, where is that point? And that's kind of some of the conversations Mike and have been wrestling with other guests and between each other for a couple of years now.

One of the things that we've heard recently out of the UMD symposium and Mike and I've talked about, is the idea that project managers should know what the value, not what the costs are, but what the value is that the decisions are being made as they move through. And I think we've talked a lot about it. I've heard other guests talking about it, but one of the questions is, how would they know? Great. So I've got project managers saying, "I'm sold, I'm gonna be part of the new faith here." But you have to be in a system that tells you that information. So where I open with on that is I'm impressed and appreciate what you did with your team, how you're keeping them all knowledgeable, because if there's no way to track it or no way to tell them, we can preach to them, we can get people to be newly enlightened or be thinking about it from a more entrepreneurial or executive suite viewpoint. But, organizations have to have a way of sharing that information and that becomes... And that's not maybe my project manager's problem, but maybe the executive's problem.

**Tom Klaff:** It's a cultural thing. For us, transparency and speaking the same language amongst us is invaluable.

**Kendall Lott:** Well, I'm gonna summarize this stuff I heard today that was amazing. This whole idea that you went out and went to the actual product shows to see what was going on, you went out and got data, you hung with people. You did the math, like, "If we sold it this way, what would our market look like?" What it is, and all the way through you're data-informed, if not data-driven, you're certainly data-informed. You're doing the math there. You talk about networking with people, you know, you found your savant... It was all through the networking; it was a friend of a friend of a friend. Turns out LinkedIn matters, right?

I heard the consumer feedback like, you don't live without it, and it's different than our agile software world, right, there's only... You make some commitments when you're in the physical product space. You put some chips on the table. And then the idea of the role of rituals that that's actually and ultimately, you just said culture. It's how we will be here to make this happen. So as a

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project manager, I may not be the executive like you structuring it, but I need to be in an environment where that's enabling that, requiring that, and giving me the feedback I need as a project manager to execute to that. "Where do I fit in?" is fundamentally a question for people sitting on a team. When it's small, a little less so, but the bigger it gets, you can't have the overlapping roles in the same way, typically. Right? And so people need to know where they fit in, and therefore what data do they need to do their job, right, 'cause I've got this part I own. So and the transparency, I just thought that was amazing. That's what I was getting out of it. I thought those were all great topics. You just plowed right on through. Mike, you had a thought.

**Mike Hannan (1:00:24):** Yeah, I think it all just comes together with this notion of everyone wants to help the organization thrive. Let's give them what they need to see how they might do that. So well done, Tom.

**Kendall Lott:** Well done, Tom. Tom, where do they need to go to find out more? Give us a website. Give us a page. Give us a something.

**Tom Klaff:** Well, yeah, it's RevCook, R-E-V-C-O-O-K dot com. And if anybody wants to buy a toaster, you can always use the promo code on that site or... I think it's a 20% off discount called "friends." So that's my little pitch.

**Kendall Lott:** It's the friend's discount. Alright. So if you're listening to PM Point of View®, you're now officially a friend of a CEO! Well, thank you gentlemen, I will take it from here.

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