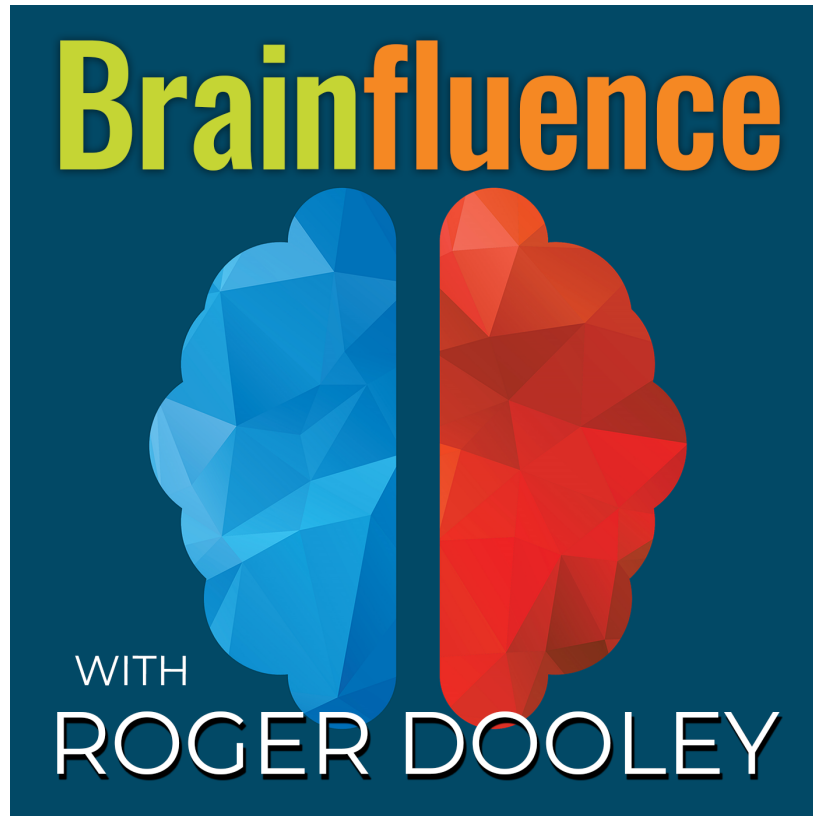


**A New Business Model: The Interaction Field with  
Erich Joachimsthaler**

<https://www.rogerdooley.com/erich-joachimsthaler-interaction>



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**Roger Dooley**

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Welcome to Brainfluence, where author and international keynote speaker Roger Dooley has weekly conversations with thought leaders and world class experts. Every episode shows you how to improve your business with advice based on science or data.

Roger's new book, *Friction*, is published by McGraw Hill and is now available at Amazon, Barnes & Noble, and bookstores everywhere. Dr Robert Cialdini described the book as, "Blinding insight," and Nobel winner Dr. Richard Claimer said, "Reading Friction will arm any manager with a mental can of WD40."

To learn more, go to [RogerDooley.com/Friction](https://www.RogerDooley.com/Friction), or just visit the book seller of your choice.

Now, here's Roger.

Roger Dooley: Welcome to Brainfluence. I am Roger Dooley. In the last few years, I've been focused not just on marketing tactics, but bigger picture ideas and concepts that disrupt industries. Platforms and ecosystems can reduce friction by offering a new way to bring buyers and sellers together with great efficiency. In keeping with this theme, joining me today is Erich Joachimsthaler, founder and CEO of Vivaldi Group, a global strategy and business transformation firm. Erich has both lectured and held faculty positions at universities that include Harvard Business School, IESE, Yale, Columbia, Dartmouth, and Duke, and he is the author of *The Interaction Field: The Revolutionary New Way to Address Shared Value for Business, Customers, and Society*. So, welcome to the show, Erich.

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Erich Joachimsthaler: Thank you, Roger. Thank you so much.

Roger Dooley: Great. Sorry if I butchered your name, but a couple more tries and I'll get it perfectly, I'm sure.

Erich Joachimsthaler: I'm used to it.

Roger Dooley: Erich, in your book, you describe a business model that is different than platforms and ecosystems. How did you come up with this insight? Was there a moment in the shower when something had hit you? Or was it sort of an evolutionary thing? Explain that.

Erich Joachimsthaler: Yeah. For me, about maybe five, six, seven years ago, I saw a demo say, monumental, something that sort of piqued my interest. And there was a Nobel Prize awarded to two fringe economists that I wouldn't know existed. And they got this award for another prize in economics, for describing a marketplace about 10 years earlier, in 2004. And I found that interesting, because I started to think that there is this new description of this new marketplace. This becomes a new business model that becomes more and more important today as we go on. And that's how it started. It wasn't the epiphany in the shower. The paper would have been wet.

Roger Dooley: Well, very good. Yeah, it's interesting. Some of the ideas being inspired by economics, Nobel winners, as well. In my Friction book, I think I quoted about three different ones. So, it's a fascinating space now. So, explain the concept of an interaction field or an interaction field company, and how that differs from, say, inn ecosystems that they ... Or platform. Because, we've had some past

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guests discussing platform companies, platform economies. How does your interaction field concept differ from those?

Erich Joachimsthaler: Yes. You know, there are platforms, exist left and right. You know, there's Airbnb and the other versions of Airbnb. That's an ecosystem, by the way. There is a platform, there's Uber, then there's Lyft, and there are about 10 others. There is a Casper, which is some type of a platform, which is a mattress place, marketplace. Let's say a meal kit solution called Blue Apron, some form of a platform, and there are 175 other meal kit solutions out there.

Interaction fields. Now, what they all have in common, all three interaction fields, platforms, and digital ecosystems, they all leverage the connectivity that exists between you and me, between things, between companies, globally, anytime, anywhere. That huge technology development to enable global connections, if you will, in participation and in directions, that's sort of the foundation of all of these.

Interaction field companies. To me, a company that defined, that frames a business in such a way that it solves problems that are intractable and not solved before. You can't say this with Lyft, because Lyft solves the same problem that Uber solves. But if you look at an interaction field, if you look at the interaction field companies, these define the problems and frictions and social strengths at three levels. Number one, at the consumer level. Obviously, somebody buys something at some point. But then also at the industry level, because many of the problems that we are facing today aren't

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really solving for a better mattress, or a better meal kit solution, or a better way to drive from point A to point B. The bigger problems that we have is oftentimes an industry or category problem, and that's the second level. And the third level is a societal level. So, when you look at interaction field companies, they are built unlike a digital ecosystem or a platform. They are built to solve much bigger problems that an industry or category or consumers have.

Roger Dooley: Mm-hmm (affirmative). So, to you use your example of Casper, I guess I didn't really consider them even a platform.

Erich Joachimsthaler: Yes.

Roger Dooley: I thought they were a company that made mattresses, but I guess they support various manufacturers. Really, to become an interaction field company, they should be focused on better sleep across a huge, maybe, range of activities, including electronics, and medicine, and so on. Would that be a correct characterization?

Erich Joachimsthaler: Yeah. That's a good one. You know, framing the opportunity, I think, is a very big ... Framing the challenges, I think that's sort of my first step in my model. Whether, are you solving for transportation, or are you solving for mobility, which is a bigger question. Are you solving for a better mattress? Or you're solving for a larger challenge that maybe you have now?

Roger Dooley: So, explain the concept of velocity and how that fits into your framework.

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Erich Joachimsthaler: Yeah. If you look at, for example, Amazon, as an example, that's a platform. Right? In a marketplace with millions of third-party sellers on the Amazon platform. If you look at that, there is data sharing. When you buy something on Amazon, there's an interaction. Right? No. There is actually a transaction. You buy something, Amazon learns about something, learns about it, and guess what? Next time you go online, you get invited. It says, "Hey, last time you bought discount air filters. You may also want some other air stuff, or whatever. Or you bought, recently, or whatever, a book by Roger Dooley. You may want to have one by Erich Joachimsthaler, let's say, and so forth." And that's just a transaction, an interaction only between Amazon and the consumer. Now, if you look at an ecosystem, the interactions take place between a limited set of ecosystem partners.

And if you look at what makes both of these business models valuable, it is the interaction, what's called indirection velocity, how much interaction takes place. The more you buy on Amazon Prime, the more Amazon learns. It's called the Network Effect, as you well know.

Roger Dooley: Mm-hmm (affirmative).

Erich Joachimsthaler: And the same thing with ecosystems. So, limited partners participate together in order to offer a service, like an Airbnb service, let's say, and they benefit from each other.

If you really want to solve problems that are intractable problems, velocity drives, network effects, then you need to look and you need to enable interactions way beyond

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Amazon and yourself, or way beyond just a limited set of ecosystem partners that deliver that service. Then, you need an interaction field. You need to define all the interactions that influence the value creation.

I give you a quick example. I studied a company called Flatiron Health. Flatiron Health started by two 24 year old guys here in Flatiron, which is a district here in New York city. They realized that most of the medical knowledge around cancer is residing within one doctor and sometimes within a hospital, but very rarely shared across hospitals and across doctors. And doctors don't take the time to record how they treat a patient, the mumbling they do, the notes they take, you can't even read it. Most of this very valuable information that the doctor, when a doctor does a diagnosis and a treatment, is oftentimes lost. It's not even in an electronic health record. And they said, "That doesn't make any sense." 18 million Americans are diagnosed with cancer every year.

Now, what is the platform here? Or, what's the platform business? The platform business is you exchange data between hospitals. That could be a platform. What's the ecosystems? You may include Pfizer and maybe rush the providers of drugs into the ecosystems that is part of the treatment. But that's not really the value creation. That's part of the value creation.

What Flatiron Health found is that if they also include the Drug Administration, then what they find is that many of the Drug Administration and maybe other ecosystem partners, like maybe healthy food diets and things like that, or programs, let's say, they found by sharing those

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data in an entire interaction field, rather than just within a limited set of ecosystem partners, they found number one, that sometimes you don't even need a drug in order to solve for your cancer problem. Sometimes you can actually live with your cancer without going through the headaches of a drug therapy. What they also found, and by including the Drug Administration as part of this interaction field, which is normally not part of a platform, an ecosystem, and sharing the data, is that the Drug Administration now approves drugs a lot faster, when they use of drugs. Sometimes you may have a drug that is effective for mamma cancer, breast cancer that is not approved 18 years later for maybe colon cancer, even. And it takes so many years to do the testing.

What happened now with Flatiron Health is by sharing those data, by creating the interaction, by building an interaction field company, by including the Drug Administration, they can get the drugs to suffering cancer or diagnosed cancer patients a lot faster and saving real lives.

So, that's what I think we need to think about. It's not about making Amazon richer and Jeff Bezos richer, or making a limited set of ecosystem partners more wealthier or shareholders more wealthy. It is about building an interaction field that maximizes the interaction velocity, so that the network effect really, really becomes powerful. Flatiron is a good example. Yes, the drug companies benefit.

You know what happens there, they're competing drug companies now work together and realize that sometimes

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it's actually the combination that actually works a lot better than just one. So, I think that's not like an example of an ecosystem, like Airbnb. Where, okay, Airbnb makes their parts of the money when you and I rent an apartment to some travelers. And then, of course, there's cleaning services and other additional services that are part of the value proposition. That's different. In this particular case with Flatiron, you have an entire industry solving big problems. 18 million Americans are diagnosed with cancer every year. 1.8 million consumers or people participate in sharing all the treatment data. And from that knowledge, not only Pfizer benefits, not only Flatiron benefits, not only the hospitals benefit, not only the physician benefits, not only the patient survives, even those who have not been diagnosed benefit in this. So, you have a model, a larger social shared value creation in this particular interaction field than if you're just a company that sort of says, "Let's string a few companies together to sell more stuff."

Roger Dooley: Mm-hmm (affirmative). One of my very first jobs out of college a long time ago was managing the installation of a pollution control project at John Deere Waterloo Tractor Works in Waterloo, Iowa. And you know, I was impressed then, and this was many, many years ago at the company, for a foundry. Which, foundries are notoriously dirty operations, lots of pollution, just very filthy place to work. You could practically eat off the floor in their foundry, at that time, at least. And you know, I always respected them as a manufacturing company, but I was surprised to see them crop up as an example in your

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book. How can a big tractor company be an interaction field company?

Erich Joachimsthaler: Yes. You know, John Deere is a respectable company. Great brand, \$30 billion, best top-of-the-line tractors, if you can afford. It's a \$600 thousand monster, if you will, or sets you back as a farmer, which is a lot of money for a farmer. But John Deere is onto that stuff. And John Deere somehow sometimes says, "We are not just about a tractor company. We are about serving those close to the land."

Now, and if you look at the average productivity of a farm, many farms don't make money, they are subsidized by the government. If you look at the average productivity of the farm in America ... Most of the productive farms are in America, by the way. It's about 3,500 kilos per hectare of cereal, or something. If you improve the technology on a tractor, make the tractor autonomous, which they already are, mostly ... Tesla is still trying this for a fuss on the highways, but on the field, on the agriculture field, it exists. Now, if you were to improve and make and put all those technologies on the tractor, the average productivity increase is about five percent. If you get to 10%, it's huge. But it will change much in the agricultural economics.

But here's what John Deere is up to. John Deere says, "What if we drop sensors on the field and we can measure the irrigation, the soil condition, the water condition, the depths of how deep a plant was planted, and what if we can capture those data in real-time, all the time, even on a daily basis? And what if we do that over hundreds of thousands of farmers? And then, what if we

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share those data, augment those data? What if we ask farmers also to give us the productivity? Not only the productivity, also the profit data, so we're actually making farms more profitable?" And that's what farmers do. They share it with John Deere. John Deere aggregates the data, augments the data with weather data and whatever. And now, farmers can learn from each other about how to improve the productivities; "Hey, what you did over there? Why is your plant growing?"

Now, here's the trick. If John Deere holds those data and sells more tractors, that'll be a pity. That'll be another Amazon move. Right? That will be the Amazon Effect; "We have the data, we can sell you more stuff." But that's not what John Deere is doing. John Deere enables an interaction field. So, they share the data with fertilizer company. They share the data with Monsanto, now it's called Buyer, the crop companies. They share the data with agricultural engineers, ag tech companies, investors, with universities and professors. And all of them together conspire and say, "How do we increase the productivity of the land?" By doing that, you can increase the productivity of the land of the American farm, the average farm, from 3,500 to 7,890 kilos per hectare. And if you do that, you're not only making the farms profitable, you actually solve a lot of world hunger problems.

Do you know that, Roger, 40 million Americans today, Americans here in the United States, 40 million don't have enough to eat. 40 million. So, we are not only solving hunger and hunger problems and healthy eating problems in this country, we actually, by ... If every farm would adopt this, we could solve world hunger. And we know

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that population is increasing to 2050 and all those things and so many challenges.

But most importantly, you also solve those frictions, to your book, Roger. We solve those frictions in the agriculture. 40% of water does not reach the land. It's getting lost somewhere. You've worked on the farm. You know there's a lot of things that can be done and fixing, but it requires everyone. The answer is not that John Deere sells the best tractors and the fertilizer companies around, and sells the power by the pounds, and put as much fertilizers on the ground to grow the plant through a farmer, and then the crop company comes in. I have a bad idea about that crop. Yeah, everybody tries to sell to farmers. If we really want to solve farming problems, this is where we start. Then we don't need also those subsidies. So, again, it becomes a larger interaction field that we are solving for. That's sort of the interaction fields that I envisioned in the book.

Roger Dooley: Mm-hmm (affirmative). So, does this work both in B2B and B2C markets, Erich?

Erich Joachimsthaler: Yeah, absolutely. You know, obviously, John Deere is a different type of company. But there's this company I discovered. It's this metal trading company. You know, metal trading is, let's be very honest, very backward. They don't use email. In trading, you use a telephone and fax, and that's about it. You know, they trust the good old technology. But the CEO was enlightened and says, "How can I build a platform, digital ecosystem, and an indirection field?" What he did is ... And this is sort of the important part of my book. You don't have to be one of

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those big companies and invest in a massive, let's say, a technology infrastructure. He went with a few younger people, and he went to a separate location, Berlin in this case. And within three months, he started to build the first kind of a platform business model type thing. And he shared it with his own 200 thousand customers.

Customers liked it, started adopting it. He worked with his own sales people. And from then on, from that initial three months' success, he built an interaction field company that now trades anything. Trades the metal from Kleckner. It also creates competitor metals. And what the business has done is, he has shifted, much of the commodity trading is now done over the platform and the digital ecosystems, and he now has focused on higher, higher margins, higher value trading, fought with his salespeople. So, it's become a huge success story.

So, yes, there are B to B examples that, if you will, Roger, is right now sort of the big 2020, sort of the big conversation. How do these B to B marketplaces evolve?

Roger Dooley: Yeah, I was surprised. You know, we've talked about a few sort of big problem-solving possibilities in agricultural yield, and fixing cancer, and so on. But one of your examples is Burberry, the British, basically, raincoat company or apparel company.

Erich Joachimsthaler: Yeah.

Roger Dooley: How does a company like that become an interaction field company?

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Erich Joachimsthaler: Oh, I love that. Thank you. Thank you, Roger, for asking that. Years ago, I wrote about Burberry. I worked, actually, with Angela Ahrendts on a disruption workshop. And I was in Regent Street and at headquarters there and the biggest store in London.

And we deliberated how to think, through Burberry, the business. And back then, the idea was that you could actually ... What they did is what some of the big innovation was. Normally, you don't see ... a cycle in fashion, where there is a show, a runway show with models, and Dita Von Teese, and Karl Lagerfeld, and Black Eyed Peas singer, or Mick Jagger, or something would be sidelined with his wife, or Beckham, something that David Beckham and Victoria, his wife, would sort of be the exclusive invitees to that in the front row. And then, maybe a few people would sort of report that in Vogue Magazine and things like that. And that was the show. And then, six months later, nine months later, whenever, some of ... Not the runway models' dresses, but some of the ready-to-buy stuff would be showing up in the stores. And we would sort of read in the magazines and advertising that, "Hey, go to the store." That was the model of fashion for a long time.

So, they came up with this idea. What if we videotape those shows, those runway shows, and we make those products that are already shown at the time to the various celebrity type audience and the influencers, if you will? What if we make them available on video? And then they created this button, this sharp, beveled button on your video, so you could actually see and check it. And it's not produced yet. It's just shown in very limited on a few

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models. And you could, on this video, press the button and say, "Buy." If you have signed up with my Burberry, which is the platform, if you will, with consumers like me, you could actually buy that \$1,500 leather jacket. And you know you look absolutely cool in that thing.

And here's the thing. If you think about this in the social world, if you make this runway show available to everyone like you and me, millions of people press the button, get the order, Burberry already collects the money before they buy the leather, before they actually have manufacturing your cost. Imagine what kind of frictions you are solving for. You don't have to discount down. You don't have to have an outlet store anymore. You produce. You have the money in the bank. You don't need financing. You have the money in the bank before you even have to buy the leather. So, this would create a new business model for Burberry. And Burberry, being so amazing, was at the brink of realizing that new business model.

In the book, in my book, I write the example of how they squandered that opportunity. How they could have really solved many of the problems, the frictions to your book, Roger, and solve those and eliminate many of the industry friction that we have that is part of the fashion problem, the fashion cycle, if you will, if they had pursued with more rigor that model. It's a case of missed opportunity, a window that they could have jumped through. And they decided not to for a number of reasons.

Roger Dooley: Right. Well, it's always good to have some case studies in a book that don't always work out as the perfect examples

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of what you should do. So, that's great. Another company that everybody is talking about these days is Tesla. And you make the point that they aren't really a car company. They are an energy company that happens to sell cars. Explain that.

Erich Joachimsthaler: Yeah, I think Tesla is a great example, because everybody thinks of it as an electric car company that enables semi-autonomous driving. And they are now the biggest industries in every country. Germany is one country, is always automotive. And in every country, the automotive makers are obsessed with converting now into electric. We have that in Germany. And also, in order to match Tesla in terms of innovation.

You know what's interesting about Tesla, in my opinion, is that Tesla really solves, again, those frictions that we are talking about. The electricity part actually solves for the problems of the combustion engine, less CO2 emissions. And that's really where they started. And if you look at the original ideas of Elon Musk, it wasn't about the car company. It was about the environmental impact it has. Do you know that every day 100 people die on highways in America alone? 100 people. So, 37,000 people every year die in a car accident in the United States. That's not the injured ones. That's not the hardship, the emotional, social hardship that family members have of losing a family member. So, there is an enormous cost. I don't want to count it, the costs in terms of the cars and all of those things, but there are other things that are broken in the process.

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So, by producing a semi-autonomous solution they call the autopilot ... It's a technology. They enable that we drive safer. And they don't do that because they have a better factory or better software. They do it, you know why? Because if you drive a Tesla, and if you drive the Tesla off the parking lot, you need to commit that you keep that autopilot on. Tesla is the only car that has ... The car has the most sensors on anything on the whole damn thing pack. You know, others have sensors, but they don't have that many. Cameras and sensors. You need to commit that you share those data with everybody else. We see autopilot. And Tesla is the only company that has OTA, over-the-air updating of your dashboard. So, you don't have to buy every three years a new car. You actually get updated with the latest safety updates on a weekly or two-weekly basis, or bi-monthly basis or something.

So, Tesla has built that system. But now, here's the thing. Tesla also sells battery packs for your garage. Tesla sells the roof. So, here's the thing. You can actually generate electricity through your roof, that you store in your battery pack, that you can charge your car with and go to work, if you want to go to work. You can work at home or do a drive somewhere. And if you have excess, you can power your home. And if you have excess energy, you can submit it onto the grid, the electric grid, and actually make money.

Now, did you know that 95% of cars are not utilized on an average basis? They stay in somewhere. If I have a housing in Santa Monica and I'm living in New York right now, I can commit my Tesla to the Tesla network. And

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during the months I am here in New York, I can have somebody go to my garage, open my garage, and drive my Tesla for that month. The average cost of a car in America right now is \$9,000. Do you know, if you subtract the rich and the rich, if you look at, the average American makes \$40,000. It is insane to think that the average American should spend \$9,000 on a car if they only have \$40,000 to spend a year.

Roger Dooley: Right. That's an annual cost, right?

Erich Joachimsthaler: That's an annual cost.

Roger Dooley: Right, right. Mm-hmm (affirmative).

Erich Joachimsthaler: So, Tesla is an interaction field company that solves very immediate problems for consumers. Highway deaths, cost of ownership, cost of electricity, and things like that. And Tesla solves also a lot of industry problems, you know, because electric cars use a tenth of the mechanical parts that a mechanical car has. So, less repairs. Tesla also solves a society problem. And they do that all at the same time.

So, that's how we have to think about it, you know, rather than ... In the old days, we would say, "Okay, how do we position BMW versus Mercedes? Oh, BMW is the ultimate driving machine. Oh, that's different." You know, we can argue this for a while over whisky. But it sells. You know, we all believe that a BMW driver is different from a Mercedes driver and an Audi driver and a Jaguar driver and a Bentley driver. But the fact of the matter is that we

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are not really solving a lot, other than pushing more product onto the streets that we don't really need.

Roger Dooley: Mm-hmm (affirmative). Great. Well, one last question. Can this be done at a local or regional level? We've been talking about national, sort of global solutions for problems, you know. Can this be done in a very small scale in a single market? Have you run across any examples of that?

Erich Joachimsthaler: So, there is something that ... The concept that people talk about is local network effects versus global network effects.

Roger Dooley: Mm-hmm (affirmative).

Erich Joachimsthaler: So, many businesses have local network effects, not global ones. And for them to go global is actually, doesn't add a lot of value. And a good example is actually Uber. We all know Uber, as an example. Uber hopes for global network effects, which they don't, because nobody in New York drives a car in London. It's all local. So, Uber has this massive problem, that they have sold investors on these network effects, this platform advantage, but they don't have platform advantages. Locally, they do. In New York City, it's very profitable, but the success in New York City cannot map somewhere else.

So, in my opinion, the powerful benefit of these new business models, like platforms, ecosystems, and interaction fields is that they leverage these connectivities. Even if you have local network effects, you still can create a profitable business. Again, Uber is an

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example, maybe a more popular example. There are plenty of smaller examples, but then I would exceed, probably, the time on the video. I have a lot of passion for that, to talk about this.

Roger Dooley: Great. Well, that is probably a pretty good place to wrap up, Erich. Let me remind our listeners and viewers that, today, we were speaking with Erich Joachimsthaler, founder and CEO of Vivaldi Group and author of *The Interaction Field: The Revolutionary New Way to Create Shared Value for Businesses, Customers, and Society*.

Erich, how can people connect with you online?

Erich Joachimsthaler: Simple. You go to my website, company website. It's simple. I chose the name Vivaldi, like the musician, because I thought, "Hell, he's Italian. Antonio Vivaldi, everybody should know." So, [www.vivaldigroup.com](http://www.vivaldigroup.com). Should be easy, right? It turns out that not everybody knows Vivaldi. So, it's not a ... But that's the easy one. I also have a website that's more complicated, [www.erichjoachimsthaler.com](http://www.erichjoachimsthaler.com). I think everybody gives up on that one.

Roger Dooley: Well, that's okay. We could link to that one in the show notes page, Erich. So, we will link there. And also on the show notes page, we will have the audio, video, and text versions of our conversation, and all of that and any resources that we spoke about, as well. So, all of that will be at [rogerdooley.com/podcast](http://rogerdooley.com/podcast).

Erich, thanks for being on the show.

**The Brainfluence Podcast with Roger Dooley**  
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# **A New Business Model: The Interaction Field with Erich Joachimsthaler**

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Erich Joachimsthaler: Thank you. And if you don't read my book, read the Friction book, because my book solves some of the problems that, Roger identifies very well.

Roger Dooley: Well, they won't need my book if they have your book. So, read mine first. Although, I think mine does offer a few solutions, too. Erich, thanks for being on the show. Take care.

Erich Joachimsthaler: Thank you. Absolutely, Roger. Most appreciated.

Thank you for tuning into this episode of Brainfluence. To find more episodes like this one, and to access all of Roger's online writing and resources, the best starting point is [RogerDooley.com](http://RogerDooley.com).

And remember, Roger's new book, *Friction*, is now available at Amazon, Barnes and Noble, and book sellers everywhere. Bestselling author Dan Pink calls it, "An important read," and Wharton Professor Dr. Joana Berger said, "You'll understand Friction's power and how to harness it."

For more information or for links to Amazon and other sellers, go to [RogerDooley.com/Friction](http://RogerDooley.com/Friction).