

The PARAGON Perspective From the President

PARAGON Perspective is sponsored by PARAGON Development We are not intending, and will not use this communication to promote our business. There are other times and places and opportunities for that.

We hope to inspire debate and pass along information that may enable all of us to better understand and succeed in our new business objectives in the future. Plus, we hope to make you smile and think. We further hope you pass these along to colleagues who may have mutual interests.

We want to use this forum to do the following:

- Share information we have learned that we consider important concerning best practices, trends, successes and failures, conferences, and other elements that will enable all of you to grow your organizations with maximum top and bottom line results.
- Share information about select client initiatives that may be of interest based on technologies, markets, or business needs that you believe could fit within the scope of those client's interests.
- Share personal observations and even humorous items given to us by others.

We welcome your comments on any topic and encourage you to contribute to future newsletters. The PARAGON Perspective is now in its fifth year. We thank everyone for their newsletter contributions and for the ideas and suggestions that have brought recognized improvements and made it easier for us to produce.

This month's newsletter will highlight our opinion on the business development topic: **"The Lesson of the Print Cartridge."**

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Paragon Update

We have been seeing an increase in projects dealing with strategy and strategic growth. This is more so than in previous years where the focus was on specific development projects and not as much on platforms.

Conferences

This space is reserved for announcements of conferences or events that may have value to our readers. We have resisted posting 'monthly' meetings and have focused on major or National events, but due to the many requests, we will add those in 2006.

Basics of Industrial Market Research Marriott Conference Center; Lisle, IL August 21-24, 2006

PARAGON highly recommends a conference in August that is held only once a year for the general public on industrial market research (B2B). It is sponsored by the Commercial Development and Marketing Association Educational Foundation (CDMAEF) and is limited to 25 attendees each year. What makes it such a valuable course is that it combines presentations with experiential learning where the attendees are break into small groups to work a case study through the various modules. A strong faculty staff and mentors with decades of experience are assigned to each small working group. Modules include scoping out project strategy, internet searching, attaining primary intelligence (interviewing and surveys), using consultants, analyzing and processing information gathered, and formulating and presenting reports and findings. **Registration is still open with limited chances to sign up.**

For more information and registration visit the website at: www.CDMA.Org.

LES (Licensing Executives Society) Annual Meeting in NYC
September 11-14, 2006

Next month we will be highlighting the LES (Licensing Executives Society) Annual Meeting in NYC from September 11 through September 14. We will be doing a half day add-on workshop on the Voice-of-Market™ process as part of their continuing education series.

Technology Transfer/Capabilities

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, development, or could be available to use. Please send a description of your technology to be posted in this section for future newsletters. Inquiries can either be sent directly to those who have posted information, or, we could forward any/all inquiries to you. This section highlights non-client project technologies.

This newsletter has a distribution of several thousand individuals who are primarily in new business development, so the audience has the potential to generate legitimate interest. We do reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

Technologies Being Sought

We have a client interested in novel plastics additives which can be added to PP, PS, or PE. Their interest is in new additives that are not yet commercially available but looking for a partner to bring to market.

If you have, or know of, any potential technologies or products for these clients, please send us your information. We will forward it to the client so they can contact you directly. Please send the information to:

Jack Peregrim @ (203) 288-4154 or peregrim@paragondevelopment.com

Quotes of the Month

"No one beneath you can offend you. No one your equal would." *Jan L. Wells*

"One of the secrets of life is to make stepping stones out of stumbling blocks" *Jack Penn*

"Give every man thy ear, but few thy voice." *Shakespeare*

"I am more afraid of an army of a 100 sheep led by a lion than I am of 100 lions led by a sheep." *Talleyrand*

"Everything comes to he who hustles while he waits." *Thomas Edison*

"Life shrinks or expands in proportion to one's courage." *Anais Nin*

"We probably wouldn't worry about what people think of us if we could know how seldom they do." *Olin Miller*

"All glory comes from daring to begin." *Eugene F. Ware*

"If we have our own 'why' of life, we can bear almost any 'how'." *Friedrich Nietzsche*

"Goals are dreams with deadlines." *Diana Scharf Hunt*

Web Site Additions

Our website has been updated but we will continue to add to our alliances and partnerships page. It provides sourcing to our clients on services they may be seeking in specialized functional or industry areas. As such, we will post organizations and individuals who we know to excel in products and services.

If you would like to be included in this listing, free of charge, please submit a request to us with a short (50 word) description of your products and services, as well as direct contact information. We view this as a mutual service to our clients as well as companies, consultants, and other entities we have had the pleasure to work with.

We encourage readers to review the organizations and individuals on the website as they are limited to those people we have personally qualified. This is also a service we offer without any compensation as our intention is to serve as a catalyst for success in a broad way that extends beyond those areas where we are best in kind.

Interesting Words

Fecund (FEE-kend) Adjective

1. Fertile.
2. Prolific.

Moiety: (MOY-i-teel) Noun

1. Approximately half of something.
2. A half.

Hortative: (HOR-te-tiv) Adjective

1. Serving or tending to exhort.
2. Encouraging.

Supernal: (suu-PUR-nel) Adjective

1. Heavenly; divine.
 2. Lofty.
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“The Lesson of the Print Cartridge”

Case Example:

We are all familiar with the example of Hewlett Packard who switched from their business model. It had been one of inventing, improving, and marketing printers which needed printing ink to work to a model where the product was printing cartridges that needed a printer. They recognized this was the best way to capture value and establish and protect the best possible sustainable, competitive advantage.

An additional well known example is the razor blade versus the shaver itself. The major companies practically give the shaver unit away and make their profits on the blades and replacements.

Paragon has been involved in unique situations that have resulted in analogous successes. They are ones that no one would ever have planned as initial strategies but were the critical success factors. Two that come to mind were in glass coatings and aerospace parts.

Just to provide one more illustrative example, the aircraft parts were for commercial airliners and were sold as OEM to Boeing and Airbus and then as replacements to the airlines. They were very sophisticated and high priced products and the airlines had a difficult time paying for them with the financial problems they faced. The airlines bought strictly on cost and our client's cost was slightly higher because of their higher commitment to technical and customer service coupled with their investment in innovation and continuous improvement.

The solution? In our expert Forums, representatives of the airlines broke down the issues and problems and then came up with the solution to 'charge by the hour'. Airlines want costs calculated in a per use basis and not a capital expense basis. That helps them manage and control costs. The experts came up with a figure that could be charged by flight hour of the part and an actuarial calculation gave the client twice the profit per part doubled their market share in a very mature, competitive area.

Lessons learned:

The point of the case studies is that we have many more opportunities to capture value than we consider. Of course, every new technology or product should not have different value capture mechanisms. But, the key point is that by adhering to that philosophy; we don't look for the optimal value capture mechanism in any new initiative!

There are many reasons why this is happening and you can probably see some of these in your own development projects and initiatives. The ones we see the most are:

- A new development project already has many uncertainties and a totally new value capture mechanism is perceived as just too much of a departure and one variable too many. Thus, we fall back on those processes that have worked with all our other successful products.
- We look at our value capture mechanisms as being chiseled in stone and are part of our mission and strategic intent.
- There is no breadth in organizations anymore and we are all specialists. Therefore, we know how to do what we do with a high degree of excellence but we don't have the capability to customize things.
- We don't incorporate value capture alternatives into our processes. In every case we have seen this work it was the intuition or initiative of a committed person that made it happen, rather than part of the formal processes.

Recommendations:

The first recommendation is to benchmark opportunities that engaged different value capture mechanisms and apply those to your own past development projects. There is enough information in the cases briefly mentioned above to provide a starting point. As an example, take the case of the printer cartridge and ask how a past new product may have been rolled out that way. (Hint: it may involve giving product away but charging for use or even service support.)

Other recommendations include:

- Incorporating this into the new product process as having a requirement to consider and compare at least 3 value capture mechanisms from a new product.
- Secure upper management support to help you fight the administrative battles that will come from a new mechanism with different accounting and support structure.
- Be bold and look for new value capture mechanisms on existing products as a way to revitalize them.
- Hold a dedicated strategic retreat for the sole purpose of identifying and creating a plan to capture value in new ways. End up with a one year commitment to have a measurable result.

As always:

We address many topics and most are at the request of readers, clients, and other business colleagues as this one was.

We hope that this perspective has stimulated thoughts and helps improve your future returns. It has been our intent to pass along things we have learned or experienced on topics involving growth and new business development. Particularly ones that may be provocative or be beyond those considered every day. We do not try to presume to be the leaders in all areas we cover and we invite others to contribute with comments, additions, or criticisms. We encourage feedback in any media and will post your contribution in a future newsletter if you allow it.

We also will continue to focus on topics that the readers choose in almost all cases over ones we consider within our staff so please continue to send requests for topics that you want to have covered.

Trivia:

- U.S. pennies cost us 1.4¢ to make. Nickels cost 6.4¢.
- Almonds are a member of the peach family.
- Peanuts are one of the ingredients in dynamite.
- Winston Churchill was born in a ladies' room during a dance.

We hope you learned something from this and/or stimulated an action that leads to new opportunities for you and your organizations.

Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>.

Your friends at:

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Mission:

To ensure that our clients make decisions that optimizes their growth and measurable value creation. We will do this with unequalled effort and efficiency.

Background:

PARAGON employees and affiliated industry partners are dedicated to helping clients optimize their planning and development efforts. We bring a network of external industry experts who provide objective information and insight into critical areas affecting our client's success potential. In addition to our own experience base and the external access to knowledge, we utilize a decision making process that combines best practices such as Voice-of-Market™; Stage-Gate; and Discovery Based Learning. Very simply stated, we combine efficient processes with the information necessary to ensure that commitments are made with solid, objective knowledge. We allow planning and development from the 'outside in' that compliments internal efforts.

We are not industry specialists. The experts from our PARAGON Network™ provide the specific knowledge in their fields while PARAGON brings process and functional experience that generates and interprets the relevant information.

Focus:

Our client assignments are broken into three main areas:

1. Retainer agreements in which we offer discounted plan with minimum thresholds for numbers of Forums or phases. They are exemplified by clients who may write us into their R&D or new product development processes in which a PARAGON Forum is required as a part of a gate approval.
2. Evaluation and monetization of assets such as technologies, operational capacities, or new product extensions. PARAGON's support is particularly valuable when the potential is unknown but falls outside core markets or industries.
3. Support in strategic planning and strategic expansion into non-core business areas. The deliverables are typically in the form of a strategic commitment into new platforms.

Mechanics:

The steps employed are a combination of internal (client) and external events. The internal events include:

- Setting criteria for the project.
- Examining the internal knowledge base.
- Setting scope and charter issues.
- Determine specific outputs required for overall success.

External events are:

- PARAGON Forums that have 6-8 external experts who bring distinct but complementary knowledge about markets, industries, trends, competition, channels, downstream value, and function excellence that is specific to the assignment. These are typically day long events that have been referred to as "Super Focus Groups" with the client involved in the planning and then viewing the group and providing guidance and direction throughout the day. All this without the outside experts knowing whom the client is and they are thus unbiased, creative, and provide different perspectives than our client has because of their 'inside-out' viewpoints.
- Surveys and interviews with people from our PARAGON Network™ that generate very targeted information that our clients require.

We hope that you have enjoyed the issues of *The Paragon Perspective* that you have received and will let others who might find this newsletter useful know about our publication. To provide us with profile changes; or to let us know about other individual interested in receiving our newsletter; or for other information just click on this link <http://www.paragondevelopment.com/contact.html> (or copy and past this shortcut) and complete the Contact/Request for Information form (be certain to include your email address) or you may simply reply to this email and provide us with (or ask us) the information.

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