

# The PARAGON Perspective

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## From the President

PARAGON Perspective is sponsored by PARAGON Development. We want to use this newsletter 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.

All issues of *The Paragon Perspective* are archived on our website, so you may easily pass along past issues to colleagues.

This month's perspective is about a little recognized means of value capture. The title is: "[Choosing the RIGHT Customers.](#)"

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## Paragon Update

We have several updates this month. The first is that we have updated our website with a new look and new features such as project examples that will communicate the type of work we have done and the results to the clients. As we undergo this effort, we would very much appreciate recommendations and feedback to create the best possible 'face' that reflects our value proposition and with the utmost clarity.

A business update reflects a much stronger 3<sup>rd</sup> and 4<sup>th</sup> quarter indicated by our booking Forums strongly into the first quarter of 2010. We have several new projects starting each of the next several months with a healthy number just beginning in January. Our clients are budgeting and investing in projects that had been delayed until now and many others are at least adding projects to their 2010 budget that we will be engaged in with them. We hope it is not premature to say that our business environment may finally be turning the corner.

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## Conferences

No request to post conferences have been sent to us for either November or December. (Just a reminder that we are glad to do so without any charges if the conference has appropriate fit with our readers' interests)

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## 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 over six 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.

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## Technologies of Interest

Liquid processing: A client has developed an ultrasound based system for mixing; dispersing; and emulsifying liquids—>liquids and solids—>liquids. It has considerable cost and performance advantages in comparison to comparable batch and other processes used today. There are so many benefits that it is impractical to try and list them, but we can send information if requested.

Embedded systems: A client has developed an embedded reactive processor compatible with Java that integrates many computer languages and is a breakthrough from previous attempts to write multi-language compatible software.

Software development: A client has developed new concurrent programming language compatible with Java that integrates features of synchronous and asynchronous concurrency and reactivity and enables programming of very complex software systems (centralized, embedded and distributed) through the single language. The language is a breakthrough from previous attempts to write software in multiple languages and services of the operating systems.

Artificial Muscles: A client has developed a system that includes 'muscles', sensors, controllers, motors, and actuators. Initial applications are focused on: prosthetics; motors for small devices such as cameras; objects that can propel things through water or other fluids; and many types of human machine interfaces.

For more information on the above opportunities contact:

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## Quotes of the Month

"There is more to life than increasing its speed." *Mohandas K. Gandhi*

"The way I see it, if you want the rainbow, then you have to put up with the rain." *Dolly Parton*

"He who cannot change the very fabric of his thought will never be able to change reality." *Anwar el-Sadat*

"If all else fails, immortality can always be assured by spectacular error." *John Kenneth Galbraith*

"If you wait, all that happens is that you get older." *Larry McMurtry*

"Experience is what you get when you don't get what you want." *Dan Stanford*

"The world is before you and you need not take it or leave it as it was before you came in." *James Baldwin*

"Change starts when someone sees the next step." *William Drayton*

"If you get a reputation as an early riser, you can sleep till noon." *Irish Proverb*

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## Interesting Words

**Peremptory:** (puh-REMP-tuh-ree) Adjective

1. Dictatorial
2. Expressing command or urgency
4. Not admitting any question or contradiction

**Gimcrack:** (JIM-krak) Noun or Adjective  
 Noun: Something cheap and showy, of little use  
 Adjective: Showy, but worthless

**Mendicant:** (MEN-di-kuhnt) Noun or Adjective  
 Noun: Living on alms. Like a beggar.  
 Adjective: A beggar. A member of a religious order of friars forbidden to own property.

**Otiose:** (O-shee-ohs or O-ti-ohs) Adjective  
 1. Superfluous  
 2. Futile  
 3. Indolent

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## Choosing the RIGHT Customer

### Background:

We are really emphasizing new customers in this posting. We are targeting customers with a new technology or product that is not a line extension oriented toward the existing key customers. There is probably nothing as critical to success (particularly early success) as choosing the right first customers and yet we constantly make the same mistakes in our commercial development issues.

### Problem defined:

There are many reasons that we are pressured into choosing the first customers we target and some of the reasons are:

- We just assume that the largest customer in a market is the best one to start with. After all, they are the leader who would be the biggest potential customer and they probably value innovation more than the others; which is the reason for their success. (At least they have protected that reputation.)
- There is a need for volume to justify production, so starting with the biggest potential customer is the most obvious approach.
- The largest customer can best afford to pay for and invest in new technology because they have the largest market share and revenue base to cover new investment.
- It is easier to market and develop with one major customer than multiple smaller ones.
- We can protect our own careers because management does not question targeting the major players and we lose little credibility if we fail with them. "At least we targeted the right company!"
- We can get the most information about the largest companies because they have more information in the public domain; thus we believe that uncertainty is mitigated to some extent.
- The largest companies tend to have defined pathways so we know how to proceed.

Some of the reasons why those assumptions are wrong are:

- The largest customer has the greatest stake in the 'status quo' and is almost always the least likely to take a risk on new technologies or products they will use or pass along to their customers. Our experience has been close to 100% in that the secondary/smaller players are the ones who would 'stretch' and consider new, innovative technology, at least within a reasonable period of time.
- Investment in new production is best recovered by two factors: the time factor where customers buy earliest and the margins that allow payback. This is best accomplished by targeting and capturing multiple second tier customers in a market who will allow greater price elasticity and will use your enabling differentiation to compete against the market leaders. They are the ones who need to have a differentiation beyond the pricing offered by economies of scale.
- In practice, the largest customers are almost always the most risk-averse and they have the greatest stake in protecting the status quo. They are, again, in most cases the least likely to drive change that may have an effect on their already successful business. They also tend to invest more internally and are thus not as accepting of outside innovation that competes with their internal efforts.

- Large customers will require a longer and more extensive sales cycle than smaller ones. Thus, the market leaders may require as many as 8-10 meetings and steps before accepting and integrating new technologies and products; but a smaller organization needs only half or less steps. The number of steps may be the same, but they are spread out among a few more targets, (which also is a hedge against failure by not relying on one customer while providing negotiation leverage.)
- The best way to succeed in our careers is to succeed in our jobs. We may be able to justify our strategy and efforts over the short term by pursuing the 'logical' approach, but over time we will have less business success.
- There is certainly more information about the largest companies so we tend to think we know them better. But, the opposite is true because they also have more hidden as well as exposed. (We work with very large global corporations so we know first-hand!)
- Lastly we have found that the largest companies have more layers and 'dotted line' influencers which makes the process of getting anything accomplished that much more difficult and time consuming.

#### Recommendations:

Our recommendation is to target the secondary players first and to do so as standard practice. And, this allows senior management to take an active role by communicating with their counterparts which is not normally the case with dealing with major companies. This alone has the potential to cut time to market by half.

Another recommendation is to change our emphasis on upfront commercial research to emphasize net present value over market potential based on size of customers. This will change the focus to value capture opportunities that will generate revenues quickest as well as providing the greatest long term pricing power.

And lastly, we use this as part of a staging strategy that we have discussed in past newsletters.

#### PS:

We want to remind our readers that this section of the newsletter is open up to anyone with a development topic or an approach they would like to share. This edition and three of the last Perspective topics were submitted by others. We know many consultants, company managers, and academics who have very solid and profound contributions they could make in future newsletters. We ask that it be from 600 to a 1000 words although that is not a 'hard' range. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. Also, we will agree that the copyright and ownership is kept by the contributor and that we only have a right to reproduce it in conjunction with this newsletter.

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## Trivia

1. How does the stomach protect itself?

*The stomach has to produce a new layer of mucus every two weeks or it would digest itself.*

2. How many ridges are around the small U.S. dime?

*118.*

3. What is the largest amount of births by one woman?

*69. From 1825 to 1865 a Russian peasant woman gave birth to 16 sets of twins, seven sets of triplets and four sets of quadruplets.*

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We hope you learned something from this and/or stimulated an action that leads to new opportunities for you and your organizations and that you will let others who might find this newsletter useful know about our publication. Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>. If you would rather not receive the newsletter please respond to this email and include the word REMOVE in the subject line or in the message. To subscribe to our newsletter, please send an email to [contact@paragondevelopment.com](mailto:contact@paragondevelopment.com) and include the word SUBSCRIBE in the subject line or message. We will never sell your email address to others.

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