

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 a repeat column from 2008 based on several requests over the last 3 months. The title is: **“Getting Specialty Pricing with ‘Commodity’ Products”**.

We have also had a request to have a column on “Deals Gone Bad” which we will cover next month.

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Paragon Update

We are continuing to see strong present and near future project scheduling and, once again, there is a higher than average basis with new-to-PARAGON clients which speaks for the interest and growth in Voice-of-Market™ processes.

We are also seeing the return of international clients that had held back last year because of the poor economy as well as the weakened Euro. This year the dollar is somewhat weaker in comparison to the Euro, Pound, Kroner, and Yen plus our clients overseas had held off many things that they cannot delay any longer regardless the currency rates.

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Conferences

LES Spring Conference---Boston MA
May 18-21

The Licensing Executives Society is the leading organization in education, process, and networking in licensing and technology transfer. Their meetings are always well attended by business executives as well as licensing and intellectual property professionals. We plan to attend this meeting ourselves and would look forward to seeing many of you. For more information go to the LES website: <http://www.lesusacanada.org/default.aspx>.

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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

Acoustic Foam: A client has a new thermoset based foam that has superior values in acoustic insulation in building and construction. It also has thermal insulation properties based on the unique combination of material and cell design. It is felt that this has large potential based on the growth in applications requiring and benefitting from acoustical barriers within building and non-structural walls/ceilings.

Rust Encapsulant: An innovative single component polymeric penetrant has been developed with the ability to be applied without surface preparation over rusty, scaly steel or non-oxidized metal. It penetrates and bonds to the base metal surface, polymerizes and adheres tenaciously. Offers excellent corrosion protection in aggressive corrosion testing, and can be used with or without a topcoat.

Packaging Adhesives and Coatings: A client is interested in any technologies or developed products with applications into packaging adhesives and coatings. They have a substantial existing business and are looking to expand their pipeline of development projects and offered products. They would also be interested in standalone companies with attractive products.

More information can be gained about any of the above by contacting:

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

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Quotes of the Month

“Civilization is a movement and not a condition, a voyage and not a harbor” *Arnold Toynbee*

“What we learn with pleasure we never forget.” *Alfred Mercer*

“We couldn’t conceive of a miracle if none had already happened.” *Libby Fudim*

“The worst thing in your life may contain seeds of the best. When you see crisis as an opportunity, your life becomes not easier, but more satisfying.” *Joe Kogel*

“The only thing that ever sat its way to success was a hen.” *Sarah Brown*

“Criticism, like rain, should be gentle enough to nourish a man’s growth without destroying his roots.” *Frank A. Clark*

“The greatest good you can do for another is not to share your riches but to reveal to him his own.” *Benjamin Desraeli*

“No virtue can be great if it is not constant.” *Alfonso Milagro*

“A fanatic is one who can’t change his mind and won’t change the subject.” *Winston Churchill*

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Interesting Words

Obnubilate: (ob-NOO-bul-layt) Verb
To cloud over, obscure, or darken.

Monepic: (mun-NEP-ik) Adjective
Composed of a single word or single word sentences.

Surcease: (suh-SEES) Noun or verb
 Noun: Stoppage; especially a temporary one.
 Verb: To bring or come to an end.

Disport: (di-SPORT) Noun or verb
 Noun: To divert or amuse (oneself).
 Verb: A diversion or amusement.

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“Getting Specialty Pricing with ‘Commodity’ Products”

Background:

We were recently asked to give a presentation on this topic and had produced most of the slides when we had to cancel our participation due to unforeseen client requirements. It is a good topic to cover in this newsletter and we have many years experience with this as a client project objective.

Examples:

We have several clients who were facing this same dilemma and who we helped in different ways via the Voice-of-Market™ Process. Each started out with a discovery based learning approach and then identified and implemented unique solution sets that optimized their ability to capture maximum value. (Specialty value with a commodity product) Examples of the different approaches are:

- An aerospace supplier with a product that goes into commercial aircraft with a very stable market share, only 2 competitors, and very little product differentiation. At a Voice-of-Market™ Forum, airline executives recommended **changing their business model** to charging ‘by the flight hour’ which makes all replacements items an operational expense and not a capital purchase. They were able to use actuarial tables to project cost per flight hour and have increased their market share from 32% to 49% in 18 months with an increase in margins of 60%!
- A manufacturer of a glass coating that is factory applied in the flat glass operation came up with an **innovation** that delivers the same functionality but with less than half of the coating being applied. Prior to this, they were in a situation where they used similar chemistries to their competitors and their customers (also in commodity businesses) bought strictly on price. On top of the ability to use less coating, they did not lose value. They engaged their customers contractually to supply all coating needed by them with no loss of properties and at a 20% cost reduction (yearly cost) with 100% of the business. They sold 50% less material in cannibalizing their existing business but secured more than that volume in new market share, and at a very high margin.
- A client used **spec selling** in products for building and construction. They basically developed a new product that was more expensive than the commodity alternatives that they and others were selling but did have additional structural strength. They focused on lobbying state and federal regulatory agencies to have guidelines established that only their product could achieve! They have been able to replace much of their commodity product with an improved version and with very little competitive pressure.
- A client followed a Voice-of-Market™ Forum recommendation to follow a **third party legal influence** approach. Basically they had a commodity product and were able to re-formulate to get approval for use in healthcare and food processing facilities. They sent certified letters to all the top attorneys at hospitals, food processors, healthcare insurers, etc. Their letters were formal notice that a proven product was available that would eliminate bacterial and viral infections that exposed their organizations to huge potential liabilities. These influencers had the leverage to require usage and they did so in a large volume way. (They just could not ‘knowingly’ avoid using a product that could protect their patients/customers.) Our client was getting high specialty margins for nothing more than a reformulated product and with an investment of less than \$15,000 to make all the notifications.
- A client had a commodity product and was facing considerable margin pressure and very slow growth. They solved their problem with our recommendation to acquire a company with several specialty products that complemented theirs and were able to **bundle** their commodity product in a way that overall margins increased. Plus, even while they increased their revenues and margins, they were able to develop improvements with the bundling that saved their customer’s operational and handling expenses.

Lessons Learned:

- First and foremost; it is not inevitable that specialty products will go commodity over time. In fact, there are dozens of approaches to protect a ‘specialty position’ if an organization will make it a priority and invest in doing so.

- Secondly, an organization needs to be proactive and invest in identifying and implementing new approaches. There are several processes such as Voice-of-Market™ that bring objective and relevant alternatives that had not been considered.
- It will take top management commitment as the process may not deliver immediate results and it may be a radical departure from existing business models or organizational structures. Bottom up approaches have very little chance for success.
- Look for analogous successes to benchmark in industries different than yours; and look at them with a perspective of they can work rather than making the excuse that “it is not the same”. At the very least, a hybrid version of a new strategy will work for you.
- Look at your competition in new ways. In several of the examples above, our main competitors were not the traditional ones because of the new nature of our offerings.

Summary:

The above discussion and recommendations only scratch the surface on this issue but we would not be able to comprehensively explore this area if we increased this exponentially. At least we hope to have provided food for thought and an awareness of a very, overlooked issue in product management.

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. What is ‘limelight’?

We have all heard the term “being in the limelight” but we usually don’t know where it actually originated. It was first invented in 1825 and used in lighthouses and it was a container of lime which was burned to create a brilliant light. It was then extended into the theater where performers who were in the limelight were illuminated to stand out and could be seen by the audience in the greatest light and therefore stood out from the rest.

2. What is the oldest known living thing in existence?

A bristlecone pine in the White Mountains of California is dated to be 4,600 years old..

3. How long is the average human small intestine?

22 feet or 6.7 meters.

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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 and include the word SUBSCRIBE in the subject line or message. We will never sell your email address to others.

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