

The PARAGON Perspective

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From the President

For those of you not familiar with us and may have received this as a ‘forward’ from the original recipient, The 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 editorial is titled: **“The Voice of Customer Myths”**. PARAGON employs Voice of Customer approaches in its projects as part of the Voice-of-Market™ process but we recognize that an over reliance of Voice of Customer could foretell serious setbacks and losses. This editorial discusses the dos and don’ts in employing and relying on Voice of Customer.

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Paragon Update

There are many projects beginning this fall but the nature of these projects is much narrower in scope than usual. Most of our client organizations are investing for the shorter term and reducing resources by reducing project scope in addition to postponing or cancelling things they would have done in the past. At this point we won’t match our record year of 2009. Projecting 6 months out, we anticipate a higher percentage of ‘project’ projects or tactical projects reflecting R&D and new product efforts being positioned to launch by year end 2011 or early 2012. New platform projects or major growth initiatives are not the focus of company agendas as they have been in the past.

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Conferences

LES Annual Meeting---San Diego, CA
October 16-19, 2011

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 and licensing and intellectual property professionals. The LES annual meeting draws well over 1,000 attendees. (<http://www.lesusacanada.org/am11>)

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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

Functionalized Foam: A client has a new functionalized foam that offers fire protection in addition to insulation value. They are targeting building and construction opportunities such as penetration seal for wiring & cabling.

Odor control: A client has a new chemical technology with the ability to control odors such as ammonia. They have FDA approval for use in most applications if skin is involved such as diapers. It is a very cost effective chemistry with the potential to lower cost in many products over existing processes.

If there is interest in any of the above, please contact Jack Peregrim for additional information.

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Quotes of the Month

"A leader knows what's best to do; a manager knows merely how best to do it." *Ken Adelman*

"Truth in science can be defined as the working hypothesis best suited to open the way to the next better one." *Konrad Lorenz*

"Penetrating so many secrets, we cease to believe in the unknowable. But there it sits nevertheless, calmly licking its chops." *H. L. Mencken*

"Nothing so needs reforming as other people's habits." *Mark Twain*

"The less secure a man is, the more likely he is to have extreme prejudices." *Clint Eastwood*

"I consider a goal as a journey rather than a destination. And each year I set a new goal." *Curtis Carlson*

"Science is an imaginative adventure of the mind seeking truth in a world of mystery." *Sir Cyril Herman Hinshelwood*

"A modest man is usually admired, if people ever hear of him." *Edgar Howe*

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Interesting Words

Recondite: (REK-uhn-dyt) Adjective

1. Concerned with a profound, esoteric, or difficult subject.
2. Little known; obscure.

Losel: (LOA-zuhl) Noun

One that is worthless.

Prius: (PRI-uhs) Noun

Something preceding, especially a necessary prior condition.

Cicatrize: (SIK-uh-tryz) Verb

To heal or become healed by forming a scar.

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“The Voice of Customer Myths”

Background

Many, actually most, of our clients utilize Voice of the Customer processes and methodologies as a critical part of their new product and technology development. And, there is no argument that they should do this as it is a very valuable and informative approach. However, there is little to no consideration as to whether their project is a new platform or simply an extension, or an understanding of opportunity beyond the initial customer whether it is in a different application or the same one, or even recognition of the risks and erroneous assumptions made when using VOC beyond its scope of value. We will share our experience in the form of ‘myths and recommendations’.

Myths and recommendations

Myth #1: Customers are transparent and clear about their interests.

There are several aspects to this. The first is just recognizing that your customer is focused overwhelmingly on their needs and interests. They will tell you what they want you to know but not usually what you need to know. As an example, a client had been partnering with one of its major customers in what they projected as the major application for a new chemical. The customer/partner first employed VOC which indicated a high interest in the new chemical. Our client was told it would replace an existing chemistry in a majority of the partner’s products and with high volume. Several years were spent working with the customer/partner resulting in no commercial sales. There was always one reason or another for delays of months. No one wanted to upset the partner by making demands because the partner was also a very important customer. When the client asked Paragon to use its process to look at opportunities beyond the initial application, it was determined that the original targeted application was the right one with a great deal of potential. The customer/partner chosen was the wrong one for several reasons. It was in the customer/partner’s best interest to block the new chemistry from competitors so they tied up the development. Our client lost a considerable amount of time and revenue. The development agreements continued to create legal hurdles further delaying things until it’s all sorted out.

This is not the only reason customers are not transparent or straightforward. They probably also have difficulty getting transparency from their customers; so determining downstream value is something they could not share if they wanted to.

Also, the relationship you have with a customer (or several) is probably not what you believe it to be. We see both sides in our work and we have heard the same thing dozens of times. One party considers itself a ‘partner’ while the other would describe it as a ‘good vendor’.

One more reason may be working with a major customer but not the right people. Sometimes we are ‘stuck’ with existing relationships. We need to engage these individuals but it may be a different product manager or others in R&D we don’t know who are the ones we should engage. Often our present contacts do not direct or even allow us to work with anyone else. One particular example is on strategic or product planning where the personnel we know are not aware of or open to sharing information about growth or replacement of the offering we are proposing.

Recommendation: Engage multiple potential customers - not just the usual suspects. VOC should include downstream markets and customers. Lastly, it is critical to get confirmation in writing about value proposition and commercial potential. We have found too many instances where major commitments have been made through telephone interviews or face-to-face discussions without a formal record or understanding. At the very least, follow-up in writing with what you are assuming and the expectations.

Myth #2: That Voice of Customer is a ‘one time’ effort.

We have found we exert an effort in Stage 0 or 1 and consider the checklist item for VOC covered and confirmed. First, the value proposition is likely to change from early to late stages in development and the same is for the customer’s level of interest.

Recommendation: Make VOC a part of each stage/gate. Also, make sure to continue including a wide range of customers unless the development initiative is based on the particular needs of a single customer.

Myth #3: That information shared by you will not be used to your disadvantage in the future.

We tend to contact our customers doing VOC. The vast majority of the conversation is about what you can do and how it can be done and not about the value that you could enable. Our customers end up knowing more details than necessary without

sharing the detail about the value they derive. There have been several cases where clients have found customers pursuing application patents or alternative suppliers in the areas our client contacted them about via their VOC processes.

Recommendation: Make sure that the information shared is mostly about the potential value proposition and not about the detail in how that value can be achieved. It is also recommended that technology and product development personnel are not primarily involved but that the business and marketing personnel handle the VOC process. One last suggestion is to drive toward a complete understanding of value which can simply be defined as equal to benefits over cost. We find too little effort or results on the denominator portion of the equation and have seen too, too many projects where VOC has customers who have declared and confirmed interest but ended up failing to compensate the client who invested in creating new value.

Myth #4: Customers engaged in VOC efforts are the right ones to work with in development.

In many cases, we target our VOC to the largest customers in a market or application because that is where the volume will be generated over time to justify the development investments. We have heard the conversations end with a promise to get back to them and to set up appointments after getting internal approvals to proceed. That locks in the customers who will be engaged too early for the advantage of the supplier and just about removes any price elasticity that may be achieved.

Recommendation: Do not lock in commitments or even suggest them during the VOC process. You need to have flexibility in development if approved that could allow first commercialization with secondary or smaller customers who will pay more of a premium and also shorten time to market.

Myth #5: We are dealing with the right customers because the customer is qualified.

Many times the organizations we target for VOC are the 'usual suspects' but are not the right ones for a new value proposition. A new polymer was targeted at the packaging industry however the main and most valuable market was a completely different one. VOC efforts would never have been directed at that application if the Voice-of-Market™ process was not used first.

Recommendation: When there is any doubt as to the market segment, limit VOC efforts, cast a wider look which can provide flexibility, leverage, and greater overall potential. There are valuable secondary benefits - parallel developments, testing, and pricing strategies - that will increase contribution. It may lead to expanding both the product offering as well as market penetration to pull other existing products into new segments and applications.

In summary:

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 beyond those considered every day. We do not try to presume to be the leaders in all areas we cover and 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 will continue to focus on topics that the readers choose over ones we consider within our staff, so please continue to send requests for topics you want covered.

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. We ask that your submission be from 600 to a 1000 words. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. We agree that the copyright and ownership be kept by the contributor and that our only right is to reproduce it in conjunction with this newsletter.

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Anecdotes

How does aspirin work?

Scientists did not understand how aspirin (acetylsalicylic acid) worked until about 70 years after it was first commercialized by Bayer. Aspirin works peripherally, not directly, to stop the pain of headaches and arthritis by inhibiting the synthesis of prostaglandins. Prostaglandins, which resemble hormones, are manufactured by all cells in the body and serve many different functions. One function is to act as an internal warning system, causing inflammation, fever, and irritation in areas where systems are malfunctioning. Importantly, they tend to stay near the site of their production. Thus aspirin appears to target your headache or arthritis pain because it is preventing the formation of the prostaglandins that are causing the pain.

Who names the stars?

The International Astronomical Union (IAU) has strict guidelines for doing so. Despite what many organizations might try to tell you about having a star named after yourself or spouse or child, it cannot be officially done and the IAU will not do that.

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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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