

The PARAGON Perspective

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From the President

We wish our readers a very productive start to a prosperous 2012! It is hard to believe this is the 12th year for us at PARAGON. We are very, very grateful for the opportunity to have served our clients over those years and to continue to serve old and new ones in the years ahead.

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 titled **“Getting Specialty Pricing with Commodity Products”** is a reprint in response to a topic request during one of our recent projects.

Jack T. Peregrim
Pres., PARAGON Development
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Paragon Update

The next two quarters look good for PARAGON with new project starts representing a wide variety of industries, geographies, and types of projects. Hopefully this reflects an overall economic strength. Ironically, although we are seeing most business increase in Europe, most experts believe those economies to be lagging the United States.

We have invested in a firm to design a logo to enhance Paragon’s image. The logo will be incorporated into a new website over the next few months. We are excited about upgrading our image to reflect our value.

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Conferences

No conferences have been sent to us to post for the coming months.

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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

Water purification. Chemical and process technologies that can enable water purification in industrial processes.

If interested contact: Jack Peregrim at (203) 288-4154 or Peregrim@ParagonDevelopment.Com

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Quotes of the Month

“Once we believe in ourselves, we can risk curiosity, wonder, spontaneous delight, or any other experience that reveals the human spirit.” *E.E. Cummings*

“All growth is a leap in the dark, a spontaneous unpremeditated act without the benefit of experience.” *Henry Miller*

“Get action, seize the moment. Man was never intended to become an oyster.” *Theodore Roosevelt*

“Give me the liberty to know, to utter, and to argue freely according to conscience, above all liberties.” *John Milton*

“Things don’t turn up in this world unless somebody turns them up.” *James A. Garfield*

“It is a fair, even-handed, noble adjustment of things, that while there is infection in disease and sorrow, there is nothing in the world so irresistibly contagious as laughter and good humor.” *Charles Dickens*

“Each morning when I open my eyes I say to myself: I, not events, have the power to make me happy or unhappy today.” *Groucho Marx*

“When you are most certain about the future, you are most certainly wrong”. *Jack T. Peregrim*

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Interesting Words

Redound: (ri-DOUND) Verb

1. To contribute to (someone’s credit, honor, etc.)
2. To come back upon

Ratiocinate: (rash-ee-OS-uh-nayt) Verb

To reason, especially in a methodical manner

Flaneur: (flah-NUHR) Noun

An idler or loafer; a man about town

Cunctator (kungk-TAY-tuhr) Noun

One who hesitates; a procrastinator or delayer

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“Getting Specialty Pricing with ‘Commodity’ Products”

Background:

We have many years experience with this as a client project objective. Several clients who were facing this same dilemma were 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.

In closing:

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 to anyone with a development topic or an approach they would like to share. Many of you - consultants, company managers, and academics - have very solid and profound contributions that could be presented in future newsletters. We ask that your submission be from 300 to 800 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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Trivia

Why does the sky look blue?

It is because of the Rayleigh scattering phenomena where particles and gases in the atmosphere absorb and reflect the white light and the blue color is scattered more than any other because it is the shortest wavelength and thus that is the color we see most prevalently. Red is the longest wavelength and thus is seen only from very sharp angles such as sunsets and clouds are white because water droplets scatter all the wavelengths equally so the white light stays 'white'.

What book is reportedly the most shoplifted?

The bible.

What country has the highest per capita consumption of Coca Cola?

Iceland.

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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.

We encourage you to visit our website at <http://www.paragondevelopment.com> to find out more about PARAGON Development, who we are and how we assist our clients.

Your friends at:

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