

PARAGON Perspective

From the President

PARAGON Perspective is sponsored by PARAGON Development, an international consulting organization specializing in new value creation for corporations. This is accomplished through new business development and optimized planning in addition to corporate venturing. The purpose of this newsletter is to update, educate, stimulate, and enlighten our friends and business colleagues on many topics involving new business development as well as the world at large as it may affect our businesses and/or our professional interests. 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. 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 we encourage you to contribute to future newsletters.

This month's newsletter will highlight our opinion on the business development topic: **"How even the Best Products Can Fail"**

Jack Peregrim
Pres., PARAGON Development

Paragon Greetings

All of us at Paragon Development wish you a very happy and prosperous 2004.

The PARAGON Perspective is now in its third year and we would like to thank everyone for their contributions, ideas and suggestions. Your input has made it easier for us to produce this newsletter, and has resulted in recognized improvements.

We also want to thank all of you who either sent us an e-greeting or holiday card. They were appreciated. We do have a mystery to solve – we were the recipients of a wonderful gift which did not have any name attached to it. Would the "gift-giver" please let us know who you are so we may thank you properly.

Paragon Update

We are presently working on several projects, each in a different field, bio-tech, personal care, and electronics, yet all are interested in developing new business around technology assets with several looking at licensing opportunities as a means of monetizing those assets.

PARAGON continues to add "finders" agreements. These agreements are with other consulting organizations, corporations seeking acquisitions (or "orphaned" business units of larger companies), as well as companies searching for technologies available for licensing.

Historically, we have found that the first quarter of the year signals a busy activity period with new budgets getting approved, and strategies changing to growth as well as new business development. We are hearing

from our contacts that there is an increase in investment for new business development activities. Budgets for these activities have been increased, and we hope that this is indicative of a recovering economy.

Technology Transfer

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, or development. 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 is for non-client project technologies that we will highlight.

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

Quotes of the Month

“Middle age is when you’ve met so many people that every new person you meet reminds you of someone else.” *Ogden Nash*

“Snowflakes are one of nature’s most fragile things; but just look at what they can do when they stick together.” *Benjamin Franklin*

“Someday, in the distant future, our grandchildren’s grandchildren will develop a new equivalent of our classrooms. They will spend many hours in front of boxes with fires glowing within. May they have the wisdom to know the difference between light and knowledge.” *Plato*

“We cannot become what we want to be by remaining what we are”. *Max DePree*

“A wise man will make more opportunities than he finds.” *Francis Bacon*

“Think like a man of action, act like a man of thought” *Henri Bergson*

‘HUH?’

“The Americans have need of the telephone, but we do not. We have plenty of messenger boys.” *Sir William Preece*

“That’s not a lie. It is a terminological inexactitude.” *Alexander Haig*

New Technologies

Bioinformatics

Paragon is presenting developing a Voice-of-Market™ Process focusing on bioinformatics. Our client, a large and well established bio-tech organization, has developed considerable internal capabilities to catalogue, interpret, and apply data to create useful outcomes. Their underlying capability is in applying world-class data mining solutions to genomic data sets, and current and related products are under development that create unique bioinformatics solutions. Their products will:

- Improve the speed of searches exponentially over established and accepted best standards.
- Have the ability to incorporate disparate data sources such as literature databases with web-based engines.
- Ability to find “hits” or solutions that would not be known otherwise.

We believe their technology will be of obvious interest to pharmaceutical or biotech organizations, and our client is interested in licensing this capability. The technology has been proven and utilized internally and presently the licensing field is wide open for new applications.

One last note of interest. Although the technology has been created to optimize bioinformatics, the underlying software and know-how can be applied to **any** search or extensive calculation requirement. A good example would be to use it with a patent database in **conjunction** with Internet and publication searches in fields unrelated to biotech or pharma.

For additional information you can contact:: Jack Peregrim at: Peregrim@ParagonDevelopment.com

Web site additions

We have updated our web-site recently but will continue to add to our alliances and partnerships page, which provides sourcing to our clients on services that 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.

A Story With a Point- How Good is YOUR Data?

The following parable was sent to us by a reader, and we think it is worth repeating.

It was autumn, and the Indians on the remote reservation asked their new chief if the winter was going to be cold or mild.

Since he was an Indian Chief in a modern society, he had never been taught the old secrets and when he looked at the sky, he couldn't tell what the weather was going to be. Nevertheless, to be on the safe side, he replied to his tribe that the winter was indeed going to be cold and that the members of the village should collect wood to be prepared.

But, also being a practical leader, after several days he got an idea. He called the National Weather Service and asked, "Is the coming winter going to be cold?" To which the meteorologist replied that it was indeed going to be a cold winter.

So, the chief went back to his people and told them to collect even more wood in order to be prepared. One week later he called the National Weather Service again and asked whether "It was going to be a very cold winter?" And the reply was that it was going to be a very cold winter. The chief again went back to his people and told them to gather every scrap of firewood they could find to be prepared.

Two weeks later he called the National Weather Service again and asked "Are you absolutely sure that the winter is going to be very cold?" They replied "Absolutely positive. It looks like it's going to be one of the coldest winters ever." The chief asked, "How can you be so sure?" To that the weatherman replied, "Because the Indians are collecting firewood like crazy!"

How Even The Best Products Can Fail

Case study:

A well known company recently developed a new binding material with applications in food, pharmaceuticals, and other related areas. The material was far superior in performance to comparable materials and had additional positive qualities that other products in the marketplace did not have. In addition, it had both direct and indirect cost reductions to customers in the form of eliminating several process steps plus having a lower cost per use. How could a product like that fail?

During a Voice-of-Market™ Forum a clear picture developed. Industry leaders questioned indicated that a market for this product would take years to develop, in even limited applications. Their reasoning was based on:

- There is one well established material today, and the total cost per application is so low that customers aren't targeting any replacements.
- The existing market for the product is dominated by a single major producer who maintains a high market share by "bundling" this material with others.
- The supplier has a reputation for being litigious, which has made customers wary about changing agreements.
- MARKETING by the existing supplier is extensive.

The company was surprised and dismayed to learn of their products real potential. As a result, they had to lower the NPV of the project to a level in which funding was reduced, and the long-term outlook for the project became questionable. The company had developed a formula in their calculations about projecting share capture based on a number of sound considerations, such as the degree of performance superiority and the cost reduction to customers. They also had Voice-of-Customer interviews conducted where they asked customers if they would be interested in a material that: "Is superior in performance and also lowers cost." The answer was, of course, positive.

Several lessons were learned and the two major ones were:

1. Markets and industries are not always rational in accepting new products.
2. Customers do not necessarily articulate the *whole truth*.

A major failing beyond those lessons was the internal naiveté of the company's product development team, who had managed the project in conjunction with the company's own internal processes -- which was flawed by forcing each project to generate extraordinary NPVs in order to get funding. The project team had looked at all the positive aspects of the project, and were content to keep "filling in the data" because the data was so supportive. Subsequently, they contracted with PARAGON to help speed commercialization on what they viewed as such a huge winner. When Discovery Based Learning tools were applied, which included validation of the product potential, it was recognized that there was very limited potential for the material.

There are no set or developed "pearls of wisdom" in the business realm that ensures that every new product succeeds, or that the failures could be identified with certainty in early stages. There is in the marketplace developed new product processes, and strategic six sigma is being used by many companies, leading to continued improvement in many organizations. Yet, new business development processes are complex and not always predictable or quantifiable. I think we are all aware of good products that have failed while poor ones became large successes.

Our experience in new product/new business development and in networking with other professionals actively involved in NP/NBD processes has given us some insights we would like to share with you. You might even want to consider adding these steps to your product development checklist:

- 90% of new products fail after they get beyond the concept stage. Yet, all of those products were considered successes at that stage by the people involved. We need to **constantly** remind ourselves that the success we *think* we have is very likely to be in that 90%. Even if that isn't the case, the thought process and the data gathered to support the product will improve and optimize your value capture.
- Use scenario planning and discovery based learning as formal methodologies to identify and explore all possible outcomes.
- Make sure that your new product project focuses on both how it could fail as well as how it can succeed. 80/20% (success factors vs. weaknesses/threats) is probably a good percentage.
- Remember that marketing and timing can be influential in your products success or failure, and, that may not be related in any large way to the superiority of your product. An inferior, but well marketed product may knock out a superior one. A superior product can also fail if the timing is off.
- Continuously review your internal processes. If you haven't changed them in the last 18 months, they are outdated. Your portfolio strategy changes, the economy changes, people change. Your process should be reviewed at least annually, with an eye to making changes instead of a mind-set that only changes things if major problems are identified. Changes instituted should be to avoid; not correct failures.

We fully recognize that this has been a brief and incomplete look at new product failures, but hope that you have picked up a point or two that will lead to the creation of new value for yourselves and your organizations.

As always, we encourage feedback and would offer this newsletter as a posting for your comments.

Failure?

Kleenex was first a failure as a new product because it was developed as a cold cream remover. It was then repackaged as a disposable handkerchief. Whose success was nothing to sneeze at!

More failures

In an 1876 memo Western Union determined that after study; "The telephone has too many shortcomings to be seriously considered as a means of communications. The device is of no use to us."

First in use

The first lighthouse to use electricity was the Statue of Liberty in 1886

Paperwork

The concept of standardized forms was developed by the railroads in the 1800's as a control mechanism in response to a series of disasters. Prior to this, reports were created as required for each incident without any specific format. The new forms worked so well at documenting and controlling train movements that they were implemented throughout all railroad business operations. Back then, nearly every business dealt with the railroads in one way or another and the concept of standardized forms spread from there to the point where they are today. And we thought we could blame the I.R.S.

Other insignificant, but interesting facts:

A snail can sleep for three years

Cats have over 100 vocal sounds, dogs have about 10

Butterflies taste with their feet

An ostrich's eye is bigger than its brain

A cockroach can live for up to 9 days without its head before it starves to death

Future Forecasts to Watch

Water:

Water consumption worldwide has tripled in the last 50 years. Countries that have diverted their precious water supplies to cities instead of farms are putting more pressure on ever fewer grain exporters.

Also, projections show that two thirds of the world's population will be chronically short of water by 2050. "Water wars" are likely in situations such as Kashmir where Pakistan's water supply is controlled by India.

Money:

The future of money will be digital, virtual, and universal. Networked currency will reach a point that it is foolproof and will deter crime. Projections are for this to occur within 50 years.

Voting:

A clear trend is that voter turnouts have dropped in established democracies without regard to geography. Record low turnouts have occurred in Great Britain, the U.S., and many other countries. Some countries have made voting compulsory such as Australia, Singapore, and Belgium while others are struggling to decide on the best course of action.

An effect that is documented is in the U.S. where record levels of money have been spent on elections with that money directed at fewer voters. This has the potential to subvert the democratic majority rule process by increasing the influence of fringe factions with single issue concerns.

Work and careers:

A trend prevalent in the U.S. that is projected to grow rapidly throughout the world is that of "virtual jobs" in which employees work for many different organizations in their careers and have the ability to change employers frequently. This trend is supported by cultural attitude changes among the workforce; globalization, and is also reinforced by new technologies such as telecommuting enabling products.

Another trend that will continue is *blending* of careers to create new vocations. Just as a mini-van was a blend of a car and a van, new jobs are being created the same way. Legal nurse consultants is one of many such examples.

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 www.paragondevelopment.com/resources.html.

Your friends at:

PARAGON Development
WWW.paragondevelopment.com