

## *The* 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. The PARAGON Perspective is now in its third year and we thank everyone for their contributions to it and to the ideas and suggestions that have made it easier for us to produce it, in addition to bringing recognized improvements.

This month's newsletter presents our opinion on "**New Product Development—Ignoring Your Best Customers**". We also have a futurist update.

Jack Peregrim  
Pres., PARAGON Development

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### Paragon Update

Our work continues to expand with the project levels double that of a year ago.

The nature of those projects is diverse, with several focused on new platform investments, setting a market strategy, and commercializing organic technologies.

If you or your company have upcoming events you think will be of interest to our readers please send us an email describing the particulars, including a brief description of the organization, the event program, and the "take-aways" that attendees will receive. An example is the one following on the CDMA Educational Foundation course.

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**CDMAEF (CDMA Educational Foundation)**  
**Basic Market Research—Short Course**  
**June 7-10, 2004**  
**Marriott Hickory Ridge Conference Center**  
**Lisle IL.**

CDMAEF has been running this intense course, which instructs attendees on industrial market research, for 3 years. It has a limited number of openings and is taught by a large staff of experienced professionals. In past years the faculty to student ratio was two to one.

This course is designed to meet the needs of individuals of varied backgrounds - engineering, science, or business - who need to be involved with or have a better understanding of marketing and market research. It incorporates hands on training with mentors, and is one third presentation and two-thirds hands-on exercises, utilizing the tools presented.

It is recommended that groups of 3 or more from an organization attend the course. This provides the additional benefit of being able to immediately share the application of these tools within your organization.

The cost is reasonable, \$1,095 (CDMA Members) and \$1,295 (Non-members). The conference facility has affordable rates for lodging that includes all meals.

We highly recommend this course.

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### **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 reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

#### **New Capability**

In April this year Thomas Swan & Co. Ltd. launched a manufacturing process for the production of carbon nanotubes in commercial quantities. They are now selling high-purity single-wall carbon nanotubes of a consistent quality for \$360 per gram under the Elicarb™ brand name.

This is, as far as they are aware, the most competitive price on the market. They are aiming to bring this price down even further through strategic partnerships in order to enable the development of a wide range of commercial applications.

Carbon nanotubes are a remarkable new form of molecular carbon that has the potential to impact a number of industries. At their most basic they are 60 to 100 times stronger than steel but only a fraction of its weight. They conduct heat better than diamond and electricity better than copper. The challenge now is to harness these remarkable properties in real commercial products. Some applications currently being researched include:

Carbon nanotubes as fillers in polymer composites, inks and coatings to enable:

- Electrically conductive composites, inks and coatings
- Thermally conductive composites
- Structurally enhanced composites

Carbon nanotubes as electron field emitters in:

- Flat panel displays
- Microscope tips and probes

Carbon nanotubes in energy storage to enable:

- Super capacitors
- High performance batteries
- Hydrogen / fuel cells

If you are interested in discussing the use of carbon nanotubes in your product or would like to purchase some material, then please contact:

Chuck Van Fleet at 201-729-1400 or [swanchem@aol.com](mailto:swanchem@aol.com).

Additional literature is available on their website at: [www.thomas-swan.co.uk](http://www.thomas-swan.co.uk)

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### **Quotes of the Month**

“Research is the transfer of money into knowledge. Innovation is the transfer of knowledge into money.” *Many Authors*

“Life shrinks or expands in proportion to one’s courage.” *Anais Nin*

“Nearly every person who develops an idea works up to the point where it looks impossible, and then he gets discouraged. That’s not the place to become discouraged.” *Thomas Edison*

“Power comes from calmness, not muscle.” *Aikido Master*

“It’s not what the vision is, it’s what the vision does.” *Peter Senge*

“As far as we know, our computer has never had an undetected error.” *Weisert*

“Caution: blade is extremely sharp. Keep out of children.” *Warning on knife blade manufactured by Olfa Corporation*

“It was impossible to get a conversation going; everybody was talking too much” *Yogi Berra*

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## **New Technologies Being Sought**

### Products

A client is looking to license or acquire products in the following areas:

- Oil-field chemicals: Suspending agents; viscosity/rheology control.
- Pigments: Specialty only. (Iron; chrome; oxides & carboxylates; anti-corrosive)

### Technologies

A client has an interest in licensing, partnering, or acquiring technologies in:

- Nano-materials, additives, formulations, and value-added systems. Includes clays, metals, and pigments.
- Aqueous based additives and systems for coatings.

If anyone has technology or products of interest, please contact us and we will arrange a presentation or communication with the respective clients.

You can contact:

Jack Peregrim at: [Peregrim@ParagonDevelopment.com](mailto:Peregrim@ParagonDevelopment.com)

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## **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.

We encourage readers to review the organizations and individuals on the website as they are limited to those people we have personally qualified. This is also a service we offer without any compensation as our intention is to serve as a ‘catalyst for success’ in a broad way that extends beyond those areas where we are best in kind.

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## **New Product Development—Ignoring Your Best Customers**

### Case Study:

A company that produces proprietary actives and delivery systems for pharmaceuticals developed a new molecule having potential as a delivery system in skin creams and needed support in targeting and commercializing this technology.

In setting the initial criteria they clearly stated that they were targeting “big pharma” and other markets were much less attractive. Thus, the focus was almost exclusively on the needs, performance requirements, applications/products to target, and value pricing potential in pharma.

Industry leaders involved in the process recommended targeting several OTC products and companies for a variety of reasons. The need was current (the client had FDA approval for the material) and the market drivers supported high margins, as the new technology not only improved performance but also lowered system cost by eliminating other components used in present formulations.

The company chose not pursue this opportunity because their strategy was to target major pharmaceutical companies, the primary focus of existing and new business. To date there have been no significant revenues, and it will be years before an ethical pharmaceutical product will spec them into formulations. There are several reasons for this:

- The pharmaceutical companies aren't as interested as OTC in reducing systems' costs as the cost of manufacture is a small part of the selling cost of an ethical product.
- There is much less pressure on improving an ethical drug because it already has a protected advantage until the patent life expires.
- Reformulating the product means new FDA approval.
- The pharmaceutical company is focused on new molecules and it doesn't want to be distracted with other activities unless a problem is identified.

#### Definition:

Your best customer is the one who will buy your new product first; will create positive NPV; and will serve as your "guinea pig" in optimizing the value proposition.

#### Strategic Rigidity:

In commercializing new products or technologies, many companies are guilty of being overly inflexible in their focus.

Almost every project started by an organization should begin by establishing criteria so that there is the strategic value of having a clear focus and intent. But, that does not necessarily apply to every, or even most new products or technologies. In fact, the lack of flexibility diminishes the success in the targeted markets.

For example: a company having a licensed a sensor technology developed criteria having the intention of commercializing it into the medical device market. As the process unfolded an opportunity in environmental instrumentation was identified, as well as a market partner to commercialize it . They had revenues years before they would have otherwise; plus they made improvements with applications feedback that enabled them to create a far superior product (higher value) than they would have if they did not pursue the environmental market. They did spend resources to develop this secondary application that may have been dedicated to medical devices, but they believe they shortened their time to their targeted market because they did not rely on their existing customers for applications development support. They basically brought them a finished and proven technology that had very rapid acceptance. Plus, they could offer it to all of the major customers at the same time without having to provide an exclusive to anyone via J.D.A.'s or other agreements.

#### Recommendations:

- Do not set rigid criteria for an established new product and R&D processes that focus overwhelmingly on the business' strategic customers and markets. These criteria many times take the form of not only limiting the customers on which to focus, but **require** that a strategic customer be the focus or the project doesn't pass early gates.
- Today's businesses have reduced personnel to an all-time low and thus there are rarely people who may pursue new markets as the people still with the business have experience that is narrowly focused to support a specific strategic intent. The issue is not just experience but also one of bias. People who work in a field almost always prefer that to areas in which they are unfamiliar. We have certainly improved our bottom line productivity with reduced personnel but we have also lost top line potential over time.
- Our organizations have pushed accountability down in the organization to a level that P&L control is narrowly defined along with much more focused strategic responsibilities. Thus, expanding to new markets just doesn't fit into a business unit clearly and thus will lack top or middle management commitment.

We recommend building more flexibility into our processes along with budgets that will determine new product value in non-traditional applications. An emphasis should be put on both short term potential in addition to longer term potential. If a product opportunity "over time" is outside of the company's strategic interests then it should be abandoned or sold.

Resources should be dedicated for sampling, outside consultants, travel to new locations, trade show attendance, and other activities in non-traditional markets that we do not plan for today. Yet, in many cases, we may lower systems costs if high cost R&D resources (internal scientists and engineers) are substituted by

market development. In addition, fatal flaws that would show up in any market could allow an earlier cancellation, again saving time and money.

Once your core strategic market develops you can use channels such as distributors or marketing partners to handle sales to the non-core market. Other options include licensing the application, or, determining the new market could be a new strategic platform and worthy of new development.

The questions that should both be asked and comprehensively answered are:

- Where is the greatest potential value for our new technology or product without regard to our present business focus?
- What are the best **first** customers and markets?
- What are the best **ultimate** customers and markets?

It has been our intent to discuss issues and to pass along things we have learned or experienced on topics involving growth and new business development. We do not try to presume to be the leaders in all areas we cover and we 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 also will continue to focus on topics that the reader's choose in almost all cases over ones we consider within our staff so please continue to send requests for topics that you want to have covered.

Good luck, make money!

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## **Business & Other Factoids**

### Deathbed song?

On his deathbed, Cornelius Vanderbilt sang: "I am poor; I am needy".

### Powerful Company

One Company in the U.S. had such tremendous power and influence that it helped launch a war. This Company asked the American Government to overthrow the government of Guatemala and it also supplied two freighters for the Bay of Pigs invasion. To most Latin American countries the company was known as "The Octopus". The company was the United Fruit Company which is now Chiquita Brand International.

### The "buck" stops here.

The dollar is referred to as a "buck", but the term originated with deerskins when they were a staple of trading. The dollar was set at the equivalent of one deerskin to allow it to be readily accepted and acknowledged for its value.

### Line's busy

The busiest time for phone usage is 11AM to noon EST.

### Scrabble fan?

The only 15 letter word that can be spelled without repeating a letter is applicable to all of us familiar with licensing. The word is uncopyrightable.

### Get the traps out?

According to expert projections, the world's termites outweigh the world's humans 10 to 1.

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## **The Futurist Report**

### Natural Ingredients:

Natural ingredients are projected to grow many times GDP--sustained for decades. There are many reasons for this trend. Ease of government regulatory approvals; favorable consumer perceptions; lack of innovation in new developed chemicals; industry development to understand and isolate valuable materials in nature that were not previously researched and invested development to support their applications.

Just one example under development is basil wrap. Shoppers will be confronted with options such as plastic, paper, or "basil wrap". Basil, an herb used in cooking, can be incorporated into plastic wrapping to preserve foods. The extracts (methyl chavicol and linalool) ooze out of the wrapping and slow the growth of eight types of

lethal bacteria including e-coli and listeria. Experiments have already shown a considerable extension in the shelf life of cheeses, meats, fish, baked goods, fruits, and vegetables.

#### Growth projections

The economy is expected to show robust growth through 2005 although it is expected to slow down from the pace of the last 2 quarters. Much of it has been driven by the U.S. productivity gains which were 7.2% in 2002 and 5% in 2003. Europe has not had anything close to those gains and will not benefit from growth as much as the U.S.

China will continue to be the engine of growth in Asia. But, growth in China will start to slow from 9% in 2003 to about 8 % in 2004. It will, nonetheless, have a large affect globally. India is also expected to show 7% growth but the ability to sustain that may be possible but not as certain.

The projections are that by 2005, growth will slow to 3.5 to 4 percent (North America) and stay at that level for several years which is similar to the economy in the late 1980's. Wage and salary increases are expected to be in the range of 3.4 to 4 % over the next five years but the productivity increases more than counter the affect of the increased labor costs.

Energy costs are a huge variable with uncertainty over their levels and projections. No two futurists have the same projections and there is also major disagreement on the effect that energy cost increases will have on overall growth. Looking long term, several historians are looking at this point as a transition period from carbon based energy sources to new ones such as hydrogen and that costs will be extremely high in this transition period that is expected to be 20-30 years.

#### Rise of India:

India is going to have a major, global effect on business in the next 4-8 years and beyond. There is political concern now in the U.S. and other Western nations over the use of Indian resources to outsource work. The phenomena will only increase at greater speeds as the Indian companies improve their quality and capabilities which will take away the consumer perception of reduced value, much as the Japanese went from a reputation of cheap goods to one of superior quality. Right now, there are more IT engineers in Bangladore (150,000) than in Silicon Valley (120,000) and that spread will increase rapidly.

Financial Services Jobs will also be a focus and A T Kearney has projected that 500,000 financial services jobs will go offshore (from the U.S.) by 2008. Auto engineering and drug research are other areas expected to follow.

McKinsey forecasts that, by 2008, IT services in India for foreign organizations will swell five fold from where they are now to a \$57 Billion industry employing 4 million people. India produces 3.1 million college graduates per year and the number of engineering colleges is expected to double (to 1600) in the next 4 years.

Both futurists and historians are watching this dynamic because it would be the first time that a developing nation became a growth economy by using its brainpower as the catalyst - not natural resources, or cheap labor, or capital investment. This has never happened before.

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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.

Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>.

Your friends at:

PARAGON Development  
[WWW.paragondevelopment.com](http://WWW.paragondevelopment.com)