

The PARAGON Perspective

From the President

PARAGON Perspective is sponsored by PARAGON Development 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 encourage you to contribute to future newsletters. The PARAGON Perspective is now in its fourth year. We thank everyone for their newsletter contributions and for the ideas and suggestions that have brought recognized improvements and made it easier for us to produce.

This month's newsletter will highlight our opinion on the business development topic: **"First Customers VS. Ultimate Customers"**

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Paragon Update

We have made changes to our newsletter in 2005 and will continue to do so throughout the year as we incorporate recommendations and contributions from readers into future editions. We have resisted adding 'marketing' oriented information about PARAGON but have done so at the end of the newsletter based on the number of requests. Thus, only those people who are interested need to review that information.

We have been involved in several new projects over the past few weeks, including one in fuel cells that will be highlighted below.

CDMA-EF Industrial Market Research Course August 8-11, 2005

This is the second time this is included and the reason is two-fold: there are still openings for the course and we 'jumped the gun' - registration is only now being opened officially and is limited to about 30 attendees.. Although it is 6 months away, we are promoting this upcoming course as an excellent way to learn about managing and doing market research.

The course is sponsored and presented by the CDMA-EF (Commercial Development and Marketing-Educational Foundation), which is comprised of hundreds of members responsible for new business development and planning in basic industries such as chemicals, materials, and plastics. Experienced members created this course and now teach it with 10-15 participating as presenters and members over the several days the course is held. We highly recommend this course for anyone in (or managing) market research. It is particularly valuable to people with technical or engineering backgrounds who are moving into commercial positions.

For additional information about the program and to register for it contact:

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

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

Fuel Cells:

We are starting a project with a client who has developed and marketed fuel cells for several years now. Their target has been commercial building and small industry applications. In this regard they have superior products that enable: redundancy in critical operations; co-generation; and a very efficient power generation potential with virtually no harmful emissions.

They are creating a new generation of fuel cells and are interested in:

- Technologies that would enable the new products.
- Market interest in new fuel cells as described above.

If you have any interest, please contact Jack Peregrim at:

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

Quotes of the Month

“Wherever we look upon this earth, the opportunities take shape within the problems.” *Nelson Rockefeller*

“Opportunity’s favorite disguise is trouble.” *Frank Tyger*

“The reward of a thing well done is to have done it.” *Ralph Waldo Emerson*

“Do not let what you cannot do interfere with what you can do.” *John Wooden*

“The work praises the man.” *Irish proverb*

“A new broom sweeps clean, but the old brush knows all the corners.” *English proverb*

“What great things would you attempt if you knew you couldn’t fail?” *Robert H. Schuller*

“A leader who keeps his ear to the ground allows his rear end to become a target.” *Angie Papadakis*

“Leadership is a potent combination of strategy and character. But, if you must be without one, be without strategy.” *Gen. H. Norman. Schwarzkopf*

“Compromise makes a good umbrella, but a poor roof.” *James Russell Lowell*

Experience

- “Whenever you fall, pick up something.” *Oswald Theodore Avery*
 - “In the business world, everyone is paid in two coins; cash and experience. Take the experience first, the cash will come later.” *Harold S. Geneen*
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New Technologies Being Sought

Products/Technologies

A client is looking to license or develop via collaborative agreements new miniaturization processes to manufacture small mechanical/electronic devices additives for coatings. They are a major producer of electronic hand-held devices.

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 or (203) 288-4154

Is this a man playing a horn or a woman's silhouette?



Web Site Additions

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

Interesting Words

Louche: (loosh) Adjective

1. Shifty; shady
2. Disreputable

Cacology: (ke-KOL-e-jee) Noun

1. Bad choice of words
2. Poor pronunciation

Captious: (KAP-shes) Adjective

1. Apt to raise objections to trivial faults or errors
2. Difficult to please

Objurgate: (OB-ger-gayt) Verb

Denounce, upbraid harshly, revile

First Customers VS. Ultimate Customers

The Dilemma:

We have had many projects with clients who have developed technology and products directed toward specific markets and applications. The customers they are targeting are those they consider main customers of their existing business. They commonly involve them in one way or another in an early stage and don't give serious

consideration to secondary customers in the same market. Particularly in an early stage of development, even less often do they consider customers in less strategic markets, which is a mistake!

The dilemma is that the targeted customers are not the best initial customers while in development or early stage commercialization. Without them, investment is not attractive; but that doesn't mean we have to commit to them in early development. A few of the reasons are:

- The existing relationship has 'baggage'. Large existing customers have most of the leverage in the relationship. They know they can get what they want and will use it to severely limit price elasticity at its earliest stages. It is difficult to impossible to secure value pricing after being locked into an agreement at an early stage with a powerful customer.
- Large customers think only in terms of their competitive advantage and yet your success is determined by yours; and rarely are they the same. An example of how they accomplish this is via exclusive supplier agreements, filing application patents, or by engineering products that fit their needs and not the general needs of a broad market, narrowing the value of your invention to only themselves.
- They delay time to market once they have an exclusive agreement, knowing that you are working primarily with them.
- Gaining early knowledge from you that allows them to develop new products that do not rely on your contributions. In other words, you have shown them the opportunity and they find another way to capture it so they do not rely on you.
- Establishing a position that severely limits your negotiating position as you do not have viable alternatives to create value that do not rely primarily on the customer you are working with.

We are not prescribing a path that avoids your major customers but we do believe that alternatives should be considered and, in many cases, they will offer both a better short and long term potential for value capture. A major hurdle is in our organizational structure that requires a clear focus on the markets we are dedicated to. Our shareholders and owners are very reticent to see us dedicate developments that are not targeted to those customers, as it appears we do not have a clear strategy. Yet, it is a clear strategy to do the opposite if it is formalized as a strategy, which most organizations have not done.

Recommendations:

First thing we have to realize is that R&D and business development should not engage in developments that do not have value in their major markets unless there is a strategy to diversify. But the issues of the ultimate customer and initial customers are both mutually exclusive and a complementary aspect of an intelligent strategy. The real issue is ensuring that the investment does have long term value with the major customers and then determining which initial customers to target. Basically, the vision is your targeted market, but the mission is to gain competitive advantage and leverage.

A point should be made that the above applies primarily to new platform products and technologies and not to most extension developments.

There are too many factors affecting the decision on any particular project to do an 'end around' the ultimate customer. But we are serving our organizations best by looking at the alternatives and even asking ourselves "Why?" instead of "Why Not?". Some projects must be directed for and with our main customers and there is a strategic as well as project value in doing so. If we never worked with our customers as first option, then we will not have the relationship that will place us in a priority position for the extension projects.

Our recommendations are:

- Don't let the account managers dictate to the development executives how each new platform should be developed. The account managers want to protect their customers at all costs to ensure their foundation isn't diminished. They have tremendous leverage because they can document what they will lose in the present relationship; but there is no way to ever quantify lost opportunity costs. Clear policy should be set by upper management and incorporated into strategy that alternatives will be considered with equal if not greater weight.
- Look beyond the present markets and applications for early adapters in any industry. That should be the first option, then secondary customers in existing markets; and only then do you commit to your major customers. One question sums it up: "What do you have to lose if the opportunity isn't feasible if the investment is with a totally new customer in a non-strategic market?"
- Don't underestimate the cost of doing it right. It is an investment just like R&D and new platforms don't come easy or cheap! A very large mistake is made in expecting developments to success with new platforms by utilizing distributors or agents in a new market. Unfortunately it takes even more effort than

traditional developments but the value created can be increased orders of magnitude with only marginal increase in assets.

- Don't give the responsibility to others, but do use others in the form of consultants and advisors to gain the experiential learning necessary to succeed. This gets back to underinvestment.

We hope that this perspective has stimulated thoughts and helped improve your successes. 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 be beyond those considered every day. 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.

Business & Other Anecdotes

Credit where due?

As democratic candidate for the Presidency in 1960, Kennedy was surprised to receive the endorsement of *The New York Times*. Once elected, the new president remarked: In part, at least, I am one person who can truthfully say, "I got my job through the *New York Times*."

Progress?

By nature Edgar Degas the French painter and sculptor was conservative. His friend Jean-Louis Forain believed in progress and had just installed a new invention—the telephone. He arranged a friend to call when Degas was over to visit to show off his new device and during dinner, the friend called. Forain rushed to answer it, the returned beaming with pride. Degas merely said: "So that's the telephone. It rings and you run."

Touche

At a women's rights convention in Rochester, a married clergyman had heard Elizabeth Stanton speak to a public audience. He then rebuked her by saying: "The apostle Paul enjoined silence upon women. Why don't you mind him?" To which Mrs. Stanton replied: "The apostle Paul also enjoined celibacy upon the clergy. Why don't *you* mind him?"

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:

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Mission:

To ensure that our clients make decisions that optimizes their growth and measurable value creation. We will do this with unequalled effort and efficiency.

Background:

PARAGON has over a dozen employees and affiliated industry partners who are dedicated to helping clients optimize their planning and development efforts. We bring over 40,000 external industry experts who provide objective information and insight into critical areas affecting our client's success potential. In addition to our own experience base and the external access to knowledge, we utilize a decision making process that combines

best practices such as Voice-of-Market™; Stage-Gate; and Discovery Based Learning. Very simply stated, we combine efficient processes with the information necessary to ensure that commitments are made with solid, objective knowledge. We allow planning and development from the 'outside in' that compliments internal efforts. We are not industry specialists and the experts from our PARAGON Network™ provide the specific knowledge in their fields while PARAGON brings process and functional experience that generates and interprets the relevant information.

Focus:

Our client assignments are broken into three main areas:

1. Retainer agreements in which we offer discounted plan with minimum thresholds for numbers of Forums or phases. They are exemplified by clients who may write us into their R&D or new product development processes in which a PARAGON Forum is required as a part of a gate approval.
2. Evaluation and monetization of assets such as technologies, operational capacities, or new product extensions. PARAGON's support is particularly valuable when the potential is unknown but falls outside core markets or industries.
3. Support in strategic planning and strategic expansion into non-core business areas. The deliverables are typically in the form of a strategic commitment into new platforms.

Mechanics:

The steps employed are a combination of internal (client) and external events. The internal events include:

- Setting criteria for the project.
- Examining the internal knowledge base.
- Setting scope and charter issues.
- Determine specific outputs required for overall success.

External events are:

- PARAGON Forums that have 6-8 external experts who bring distinct but complementary knowledge about markets, industries, trends, competition, channels, downstream value, and function excellence that is specific to the assignment. These are typically day long events that have been referred to as "Super Focus Groups" with the client involved in the planning and then viewing the group and providing guidance and direction throughout the day. All this without the outside experts knowing whom the client is and they are thus unbiased, creative, and provide different perspectives than our client has because of their 'inside-out' viewpoints.
- Surveys and interviews with people from our PARAGON Network™ that generate very targeted information that our clients require.

We hope that you have enjoyed the issues of *The Paragon Perspective* that you have received and will let others who might find this newsletter useful know about our publication. To provide us with profile changes; or to let us know about other individual interested in receiving our newsletter; or for other information just click on this link <http://www.paragondevelopment.com/contact.html> (or copy and past this shortcut) and complete the Contact/Request for Information form (be certain to include your email address) or you may simply reply to this email and provide us with (or ask us) the information.

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