

OVERVIEW:

# WINNING WITH CUSTOMERS

Do Your Customers Make More Money  
Doing Business With You?

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This paper is a summary of our book, *Winning with Customers* and about executing your Differential Value Proposition™ (DVP™). DVP enables you to understand if your customers make money by doing business with you relative to alternatives, hence the \$ sign on the book's cover. DVP is the playbook for B2B organizations to WIN with your customers, and has been built with an amazing set of collaborators who have contributed to the journey.

## ➤ THIS TIME, YOU CAN JUDGE A BOOK BY ITS COVER

The book cover shown in Figure 1 pretty much tells the story. The book is about “Winning With Customers,” Not “Winning through Customers” or “Winning despite Customers” or “Winning for Customers.” The premise of WWC is that in order for you to win long-term, your customers also need to be winning...Winning *With* Customers.

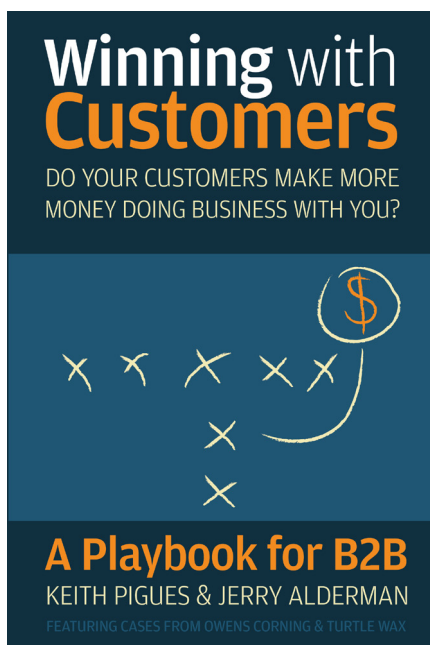


Figure 1: *Winning with Customers* book cover

There are many paths to winning, but the single most powerful approach we've found is to understand the answer to this question: “Do Your Customers Make More Money Doing Business With You?” WWC is a story of our journey to build a system that enables an organization to answer, and use the answers to this question in the management of their business. We call it the DVP System.

There is a circled \$ sign. The point is that CFOs and management teams talk in dollars and cents whether they are on your team or the customer's. The book shows you how to translate what you do into dollars and cents terms that your customer's CFO will understand.

The X's and O's metaphor suggests a team sport. WWC allows an organization to understand if their customers are better off doing business with them relative to their next best alternatives. The organization must take that data, translate it into knowledge that is useful to their particular business situation and leverage it to compete on the field of business.

To sum up: The book is written as an organizational roadmap or journey and not layer upon layer of conceptual philosophy. The story is told from a place of real life experiences intended to help your organization adopt a common

playbook focused on continuously improving a capability to understand and legitimately answer the question: “Do Your Customers Make More Money Doing Business With You?”

The final thing you will see on the cover is that D. Keith Pigues and Karel Czanderna contributed to the book. Keith and Karel are senior executives who have been customers and collaborators on this topic for a long time. The breakthrough Keith and Karel helped us achieve is going beyond talking about Winning With Customers and building a system around it. A system comprised of technology, metrics, methods and training...**The DVP System.**

## ➤ THE DVP PHILOSOPHY

As mentioned several times, the big idea behind WWC is to determine if “your customers make more money by doing business with you relative to their next best alternative.” We’ve named the answer to this question **DVP** or **Differential Value Proposition.**

To really understand DVP you first need to step back and think about the business relationship between you and your customers.

Figure 2 is where we start. On the left hand side is a traditional approach to thinking about customers. It is a picture that depicts how much money we make from the customer. As you can see, it appears that this customer is contributing above average profits. Our management team likes this customer and suggests we develop many more like them. We even go so far as to study and segment the characteristics of this customer to give us clues as to what the next one might look like.

This is a very traditional and useful approach to thinking about customers...after all we do need to make money and understand where we are and are not profitable.

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### The Early Days: Origins of the Book

In 1994 I was leading sales and marketing with a Fortune 500 B2B company. It was the Fall, time for planning and making decisions about where to spend or not spend money. I had been in the leadership role for a little less than a year during which time I developed the perspective that there were many important customer opportunities that we were not getting into the boardroom. So along comes the budgeting meeting with the CEO, CFO and the normal leadership characters.

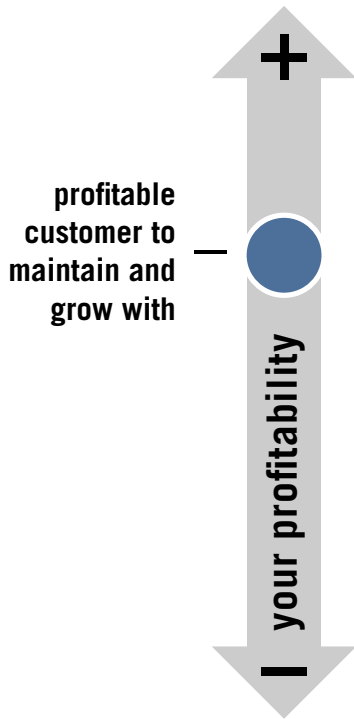
First up was the SVP of Manufacturing. He had his list of capital project items; the one I remember, was a new screen project for a digester which was going to cost \$2 million or so. He had data, charts and graphs that were produced from the manufacturing process control systems along with the business analysis that his 50 million engineers produced. In short order the CFO suggested it looked like a solid project and moved the conversation to me. I may have been 3 minutes into my discussion when

the CFO started an endless line of questions on revenue and margin projections: Are you confident about that? What are your assumptions for this? What data are you basing this projection on?

Somewhere during the heat of this exchange I asked for a few modest changes to the funding of our team. An additional sales professional for an undeveloped territory, a couple modifications to

*continued on page 5*

## Traditional Management



## Winning With Customers

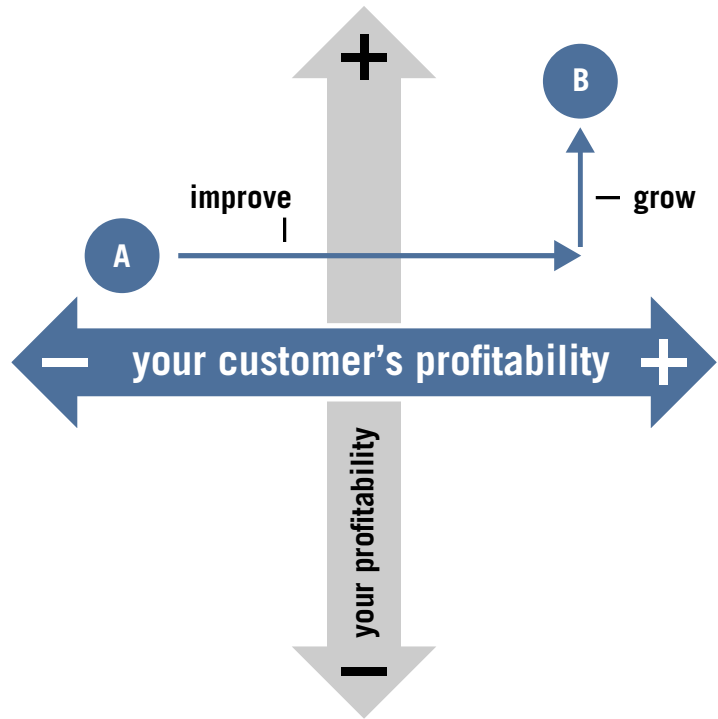


Figure 2: Winning With Customers

But the picture on the left is not the whole story. There is another entity in this relationship-- "The Customer." Are they making money? The picture on the right brings in the customer perspective. In this picture, you can see that the customer at point A is not making money by doing business with us. We now see the situation in a whole different light. Instead of thinking Unicorns and Rainbows on the left we are now thinking "uh oh" on the right. The perspective on the horizontal, X-axis is the DVP: in addition to our own profitability, the DVP brings into our discussion whether or not our customers are making money by doing business with us relative to next best alternatives.

To illustrate the point we usually talk about marriage or other significant personal relationships. The thing about relationships is that they involve more than one person: if one person is happy and the other is not, then the relationship may be headed for trouble. That is not a revolutionary statement for most. But as simple a concept as it is, very few of us do a good job of understanding the other person's point of view until it is too late.

Everything gets in the way of really having the conversation...life, kids, chores, jobs, etc. And sometimes we don't have the conversation because it is just plain scary and you pretend by not talking about it somehow the situation will change. In the end, we know we are supposed to have good and

robust, no kidding conversations about how the other person is doing, but we just don't get to it. We tell this story for several reasons, but one of them is because you know it's true and business is not so different. Just replace kids, chores, and jobs with on time delivery, pricing, and new products. We get so busy in the tactics of serving our customers that we fail to take the time to really understand from their perspective if they are doing well...making money!

We are not psychologists so don't ask us why all of this stuff happens. We believe Dr. Kahneman, the 2002 Economics Nobel winner, was deserving of his award. Dr. Kahneman was a psychologist. The interesting thing is that Dr. Kahneman was the first psychologist to win the Nobel in Economics. Dr. Kahneman proved that leaders tend to be over confident in their decision-making. The confidence that makes them successful in business gets in the way when it comes to making decisions. This can be especially true when it comes to customer-related decisions where data is limited to start.

## The DVP System brings an understanding of whether your customers make more money by doing business with you, linked into the operation of your business.

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### **The Early Days** - *continued from page 3*

customer service to take advantage of technology being developed, a different approach to a new product launch that was going to take some time and resources, etc.

The CFO stops talking and looks at me like I just suggested we sell the company or something. Then he continued with renewed vigor: How do you know you can generate revenue to cover these costs? What is the return? Are you sure our customers will care? Will the customer pay? LET ME SEE THE DATA!

I am pretty sure I was the inspiration for the Budweiser commercial; you know the one where the guy gets thrown out the boardroom window still sitting in his chair. When people ask about my background I tell this story, and you could derive many different conclusions from it. You might

conclude Jerry Alderman was: a poor sales and marketing executive, weak in business case preparation, terrible in his presentation skills, or pick your topic. The truth was that I could have done better.

The core issue was that our organization was not very good at understanding and leveraging the details of why our customers

did or did not buy from us. We were an inside-out, product-centric manufacturing organization. Did you ever play on a teeter-totter when three kids get on one side and you are on the other? You are dangling up there, as much as you try to bounce and change the laws of physics nothing happens. That is until the other three kids decide to get off at the same time and drop you like a stone!

That was my company...only change the idea of kids on the teeter-totter to data-

information-knowledge. Manufacturing had the data and I had zip. The data we had on the manufacturing side of the business was 10,000 kids to 1. And they had fun getting

on three at a time and watching me dangle. Somehow they got some weird sense of self-worth from showing me all the data and knowledge of systems they had compared to my PowerPoint slides.

There is no question I've stretched this story some over the years. But it remains as the mental model that guides my passion and the work of our team at Valkre. A sales professional talking to their own CFO, a sales professional talking to their customer CFO, a commercial leader in the boardroom convincing the CEO to invest, the CEO talking to investors trying to convince them his/her company will grow with their customers. That is the setting for our work.

## ➤ BUSINESS FIT AND THE DVP SYSTEM

When someone asks where DVP fits within a business, we think about Customer Promise Making and Customer Promise Keeping. If you are going to make promises to your customer, then it is certainly good to understand if they are going to make money as a result, and if you are going to keep those promises, you absolutely need a way to integrate them into the fabric of your organization. To bring Promise Making and Keeping to life we use the picture in Figure 3. The picture is a straightforward representation of Inputs, Processes and Outcomes.



Figure 3: WWC in an Organization

Customers are the input source. They decide if you get the order and at what price. This is obviously important to a business, and as such every business would like to understand what customers are thinking and how they think you can improve. If you understand what they are thinking about and how you can improve, then certainly there is a better chance to be successful with them. We are after an input dataset that describes how our customers think about us. For anyone who has spent time in B2B markets, you know this is a big deal. Getting this dataset in a consistent way, given the complex nature of B2B products and services, is tough sledding. As hard as it is, all of us use methods to find and capture customer data, some of which are listed in the top input box in Figure 3.

The opening chapter of the DVP journey is about improving these inputs or datasets. The improvement introduced by DVP is to rigorously, quantitatively and qualitatively bring in the customer's view on whether they make money by doing business with you. We call this new and improved input the DVP Dataset.

The next box in Figure 3 represents processes that benefit from an improved customer input dataset. There are many processes that make or break a business, and this is why having the best customer input dataset possible is important. Customer data is the source code for improving these processes. If you are better at improving these processes than the next company, you have a chance to outperform your competition. **The challenge here for most is being able to consistently feed these many critical processes with customer data that is available and meaningful.** This is where two more of the critical components of our DVP journey come in to play. Those two elements are the DVP Process and Render®. The DVP Process holds the methodologies and our learnings on what is needed in order to connect the DVP Dataset to the processes shown in Figure 3.

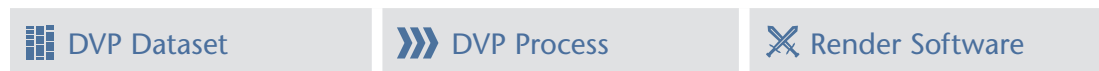
Render is a software product that makes DVP actionable. It guides you through collecting and organizing the DVP Dataset, houses the DVP Process and ultimately creates visibility into a critical set of activities to an entire organization.

The role Render played in our DVP journey has grown dramatically during the past three years. During this time in our journey, our customers told us: *“the way you can help us make money is by figuring out how we can do DVP for ourselves.”* As a result, Render was developed and took us and our customers to an entirely different place of building capability for our customers so that they can own and benefit from for years.

The final step in Figure 3 regards getting outcomes and results. As is normal in business, this is the typical case of, “what comes out” is directly related to “what goes in.” In this case, if the customer input data is better, and the processes are better, the statistics will work for you to achieve superior outcomes: profits and growth for you and your customers.

See how simple it is: just get better data from your customers and make sure it finds its way to critical processes and then you and your customers make more money. The DVP story is a story about our best thinking and experience on how the DVP Dataset, DVP Process and Render work together in a system to help you to make it easier to get better customer data and ensure it finds its way into critical processes.

The DVP System:



So where does the DVP System fit in your business? The DVP System helps you to make and keep better promises with your customers.

## ► THE DVP DATASET

Before we move on to discuss how the DVP System supports Customer Promise Making and Keeping we should first explain just a little more on what an answer to the question, “does your customer make more money doing business with you than their best alternatives” looks like. This is the DVP Dataset.

We all know we are supposed to have a value proposition. We also know in order to drive sales, our value proposition needs to be differentiated from the competition. You can’t pick up a business book that does not discuss the topic. The question is always: **“What is my value proposition and what is it worth in the eyes of my customers?”**

When you consider the typical inputs listed in Figure 3, there is a real gap in available tools to answer that question. So when we first started developing the DVP System, we realized that the dataset required to make it go didn't exist...so we built our own.

The DVP dataset is a unique combination of differing perspectives on customer voice, customer priorities, customer economics ...all packaged up to provide a view of your Differential Value Proposition. The end result can be shown as a DVP Summary in Figure 4.

1. **Customer Voice:** On the left, there is a list of the top things that make you different (Current Differentiators), and items to consider investing in (Opportunities). Each of these statements is summarized by detailed customer quotes and stories.

Current Differentiators

- **Sales Organization:** Team trained and skilled in lead management
- **Product:** Version 2.0 ergonomics
- **Supply Chain:** Predictable lead times

Opportunities to Improve

- **Product:** One knob that does everything instead of 15 buttons
- **Product:** Handle needs to be stronger as it keeps breaking
- **Supply Chain:** Reduce lead times by 20%
- **Supply Chain:** Allow for smaller orders

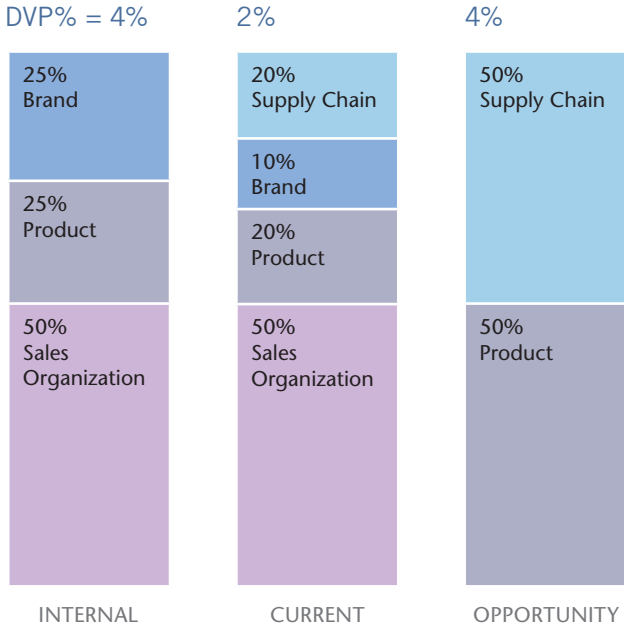


Figure 4: DVP Summary

2. **Customer Priorities:** The bars shown represent the relative customer priorities. They are comprised of the things you invest in to make customers more money than their next best alternative...we call them Attributes. The bars add up to 100 points, forcing prioritization among a given set of Attributes. The more points, the more money the customer makes. The Attributes are directly tied to the customer voice on the left so that we can describe why one Attribute is larger than the other.

3. **Customer Economics:** The percentage at the top of each bar is called the DVP%. It is defined as, "how much money your customer makes by doing business with you relative to their best alternative divided by how much business (revenue) you do with the customer." You can think about this as the return on relationship: you know we've been doing business together for 10 years and would like to know if there is a return. As an example, if this were a \$10 million customer then a 4% DVP% means



this customer is making \$400,000 of operating margin ( $\$400k/\$10 \text{ million} = 4\%$ ) because they are doing business with you instead of their next best alternative.

The DVP% is directly tied to the Attributes in the bars, meaning that an Attribute that is 50% of a bar that is worth \$400,000, that Attribute is worth \$200,000. More on this in the next section.

4. **Perspective:** There are three bars in the DVP Summary, each representing a different perspective. *Internal* is what an organization thinks whereas *Current* and *Opportunity* are what the customer thinks about today, and the opportunity to grow together..

Now we don't simply pull the numbers in the DVP out of the air. They are built from the ground up by using economic data informed by the customer. This starts to get a bit deeper than this paper is intended, but let's cover a simple example to demonstrate how economic rigor supports the simple DVP Summary shown in Figure 4. In this picture, Sales Organization is 50% of the Internal Perspective because our sales organization is better than others helping our customer close leads and drive revenue. We are better because we fundamentally invest in the types of people who have the skill sets to get this done.

Our information suggests we help our customer close about 50 new customers per year above what they would do without us because of our investment in Sales Organization. We believe the customer would have to hire two new sales professionals in order to achieve the same results. With an assumption that each of these sales professionals would cost \$100k all-in, we come up a number of \$200,000.

At this point we can either deduce that Product and Brand are worth \$200,000 combined since we thought they represented the other 50% of the Internal Bar, a method we call Anchoring, or we can continue calculating the value for Product and Brand, then compare results across attributes. When complete, the picture in Figure 5 emerges. Figure 5 details the differential dollars for each Attribute and how they are combined to calculate a DVP% of 4%.

If you think about it, the DVP dataset places your Value Proposition on one wall and your customer's financial statements on the other, making them connect and determining where you make more of a difference than the next best alternative. We have not found a sales tool or skill more powerful than being really good at understanding the ideas just discussed and prepared to present them to the customer's CFO on a moment's notice.

Differential Value of Sales Organization	\$200,000
	+
Differential Value of Product	\$100,000
	+
Differential Value of Brand	\$100,000
	=
Total	\$400,000
	÷
Amount of Business Done Together	\$10,000,000
	=
DVP%	4%

Figure 5: Calculating the DVP%

## ➤ THE DVP PROCESS: CUSTOMER PROMISE MAKING AND KEEPING

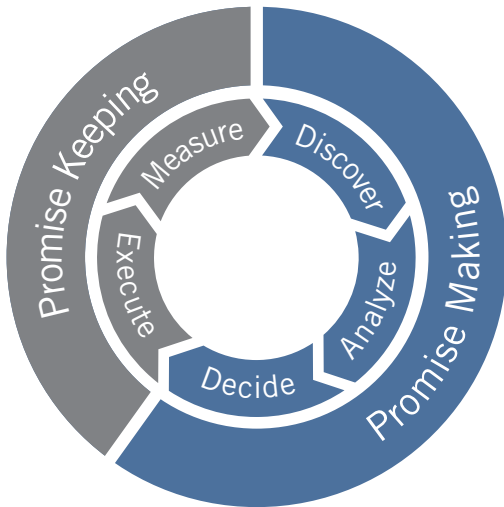


Figure 6: DVP Process

Now that we're grounded in the DVP Dataset we turn to the DVP Process. As we have learned to execute the DVP System, we have come to use the process shown in Figure 6 to describe the execution path. The DVP Process links back to the Promise Making and Keeping ideas we discussed earlier. Promise Making and Keeping force us to think about who we are making promises to and keeping them with. The answer of course, is the customer.

### Discover

Discover is where you prepare for and lead Customer Interviews to create the DVP dataset described in the previous section.

It starts with aligning internally on how you think you make your customers more money and results in the 'Internal' portion of the DVP summary shown in Figure 4. Getting started, these Internal DVPs are created in a group setting by a cross-functional team that includes leaders in Sales, Marketing, Finance, Operations, etc.

Once complete, you share this perspective with the customer when you talk to them. We show our perspective to the customer to get the conversation started. From personal experience, if you go in with a blank piece of paper you won't get anything done in 90 minutes. Many people go sideways on us when we suggest we are going to share this perspective with the customer. The most common objection: "won't that bias the customer's point of view." Our response is always the same, "maybe, but your value proposition and how it is differentiated is not supposed to be a secret!"

There are two more bars we need to complete on Figure 4 to finish our DVP Summary; Current and Opportunity. They all involve having a conversation with the customer. This is the fun part!

For this short paper we are not going to cover all of the details of Customer Interviews. Instead, we will give a rapid fire list of key points (*sidebar, p. 11*), touch on the Interview agenda and then answer the most often asked question when it comes to having this conversation with customers.

### Interview Agenda

The DVP Interview to enable a structured, repeatable conversation that helps you get the customer input you need in a format that customers enjoy and engage in. Here's the basic agenda.

- **Introduction:** Always start with thanking the customer for their time and ensure that they understand that the Interview is designed for them to help direct your investments.
- **Explanation:** Next introduce the DVP framework by showing the customer your Internal Perspective. This helps the customer understand the end result and gives them something to react to.

- **Discussion:** Here is where you switch gears to listening, facilitating, and capturing the customer’s perspective. Using the DVP Attribute framework, you can fill out the Customer Voice portion of the DVP Summary in Figure 4 by understanding the answer to two questions:
  - **What is it that helps you right now to make more money relative to alternatives? How does it help?**
  - **If we gave you \$1 million dollars to invest in us, where would you invest it to help you make more money?” How would this help?**
  
- **Prioritization:** Once we have the Customer Voice down, it’s time to fill out the bars in the DVP Summary shown in Figure 4. Sometimes customers will prioritize the things they said by allocating 100 points. Sometimes they will tell you which items are ‘Number 1, Number 2, and Number 3.’ Either way, you walk out of the Interview confident you can summarize the discussion with those colorful bars.
  
- **Quantification:** Now that we have the details, it’s time to back it up with economic rigor. Start by suggesting that you are developing a metric that will be used to track our mutual progress (the DVP%). The metric is easy: Are you making money by doing business with us divided by how much business we do together...simple! Then, summarize what was learned so far in the conversation, for example: “Here is what you suggested was valuable to you currently and here is where you would spend your money and why.” Now, it’s just a matter of asking ‘How Much?’ and having a dialog around it. What you want to walk away from this part of the Interview are the key economic inputs for you to calculate the DVP% either during or after the interview.

We find most customers appreciate the rigor and enjoy thinking and talking. Because, you know what? They want to know the answers as well. Even so, this part of the conversation scares some people. Some love it. Just know this is where breakthrough learning takes place and is something you should strive to become comfortable discussing.

- **Next Steps:** Inform the customer that this interview will be summarized in the DVP framework and sent back to them for their approval. Afterwards, the data will be stored in software and used to inform your decisions and planning. Finally, suggest that another Interview should be conducted in 12-18 months from now to measure your progress together.

## Interview Key Points

- The customer interviews are something you and your organization learn to do and does not rely on outside help. This becomes part of how you do business and not a special event.
- Interviews are done in-person.
- They last about 1½ hours.
- Do them in the office setting, try to avoid lunch sessions, trade shows or other situations which may seem convenient but really are not conducive to a serious conversation.
- 4 or 5 people in the interview is perfect: 3 from the customer and 2 from your organization.
- The more senior the executive, the fewer people in the interview.
- The account manager should be present but not leading the interview.
- No selling, solving issues on the spot or justifying your existence: shut up and listen.
- At large strategic accounts, conduct multiple interviews and build the market view by summing these large customers.
- At smaller accounts you may only talk to one or two people (other than purchasing) and conduct a sampling of customers to then project the market opportunity.
- There is an interview guide that helps facilitate the conversation and ensure the results can be organized and communicated in the DVP framework.

## The Most Frequently Asked Questions

Now for the questions everyone asks:

- **“Why would a customer want to have this conversation?”**
- **“Why would they share this information?”**

Of course the inference is that we are going to use the information to gain negotiating advantage. The customer will detect this intent and therefore clam up. Our response goes like this:

Once in a while, we need to have conversations about investments:

- **“Are the investments we are making now working to help you make money?”**
- **“What are your ideas for improvement, where would you spend the money?”**

Making these investments does actually happen in real life, in business. The questions you have to consider as a supplier:

- **“Would I rather make these investments without talking to my customer?”**
- **“Do I understand how they can make money, or how they have made money?”**

Or as a customer:

- **“I know they are spending money; do I want them to consider how my business may or may not be impacted?”**

The point is that it is an investment conversation and not a negotiation. When it comes down to daily or deal negotiation this ship has already sailed based on things done in the past. This conversation is about establishing our existing position in the scheme of business and setting a course for the future.

A quick word of advice: If the only thing you ever do with the outcome of a DVP conversation is use it in the next round of negotiations then your life with DVP will be short-lived.

## Analyze

Analyze is where you turn the data from Discover into information and knowledge for use in improving your investment decisions.

The key outputs of analyze are:

### 1. Market-informed Value Proposition

- We have learned the effectiveness of our value proposition
- We understand what customers truly value and why
- What things customers value less than we thought or not at all

## 2. Customer Relationship Matrix

- This provides a quick snapshot of the status of your customer accounts
- Where are you strong
- Who requires more attention and focus
- Where should we limit our investment because upside is limited
- In a slow growth market (like today), helps identify where your best growth opportunities exist, and thus where to invest more time and resources

## 3. Top Opportunities

- From the customer’s perspective, what are the opportunities I can execute that will help them to make more money
- Which attributes drive the opportunities
- A description of what to do, supported by detailed customer commentary
- If executed, how much are the opportunities worth to my customer’s bottom line
- What percent of the total dollars does this opportunity represent relative to the entire set of opportunities and how many customers talked about this

A short discussion on each of these key outputs is in order. To understand the market-informed value proposition, go back to Figure 4. The market informed value proposition is where we answer one of the toughest questions in business “**what is my value proposition and what is it worth in the eyes of my customers?**” You might remember we posed this question when we first started discussing the DVP dataset. We are looking for answers at this point.

Imagine you gathered the DVP dataset through many customer conversations. What starts to emerge is your actual value proposition and how it is differentiated in the eyes of your customers. The attributes that make up the value proposition become clearer. The reasoning for why these attributes make a difference to your customers is detailed and built upon. You start to see patterns on how some groups of customers see you differently than others from which you decide to build segments involving differing offerings. It is possible the answer is not quite what you had planned. That’s ok, because if you know how your customers are thinking versus what you would like them to think, then you can better direct your resources to help change their minds.

The Customer Relationship Matrix is a 2 by 2, Figure 7, indicating your profitability on the Y axis and how well your customer is doing with you (DVP%) on the X axis. The blue dots can represent individual customers, segments of customers, whole markets, countries or any other combination of customers that is useful. Take the At Risk quadrant. In this quadrant we have a group of customers that we make good profits with. That’s the good news. The bad news is they don’t appear to be making any money by doing business with you. They are at risk and there will be bad news to share at corporate when one of these customers decides to give their order to someone else. This is good knowledge to have. Maybe you can do something to reduce that risk before actually getting the call. If you look back to Figure 2, Figure 7 translates the idea into a context that starts to make it real to your business.

The top opportunity list is another of the more powerful outcomes from Analyze and is shown in Figure 8. Do you remember the question we asked during the interview, “if it were your million dollars where would you spend it?” Well this is the answer. Not the answer from one customer, but the aggregated and weighted answer from many customers. This view can directly represent the aggregation of a handful of strategic customers or it can represent the market opportunity from a sampling of customers in a large market.

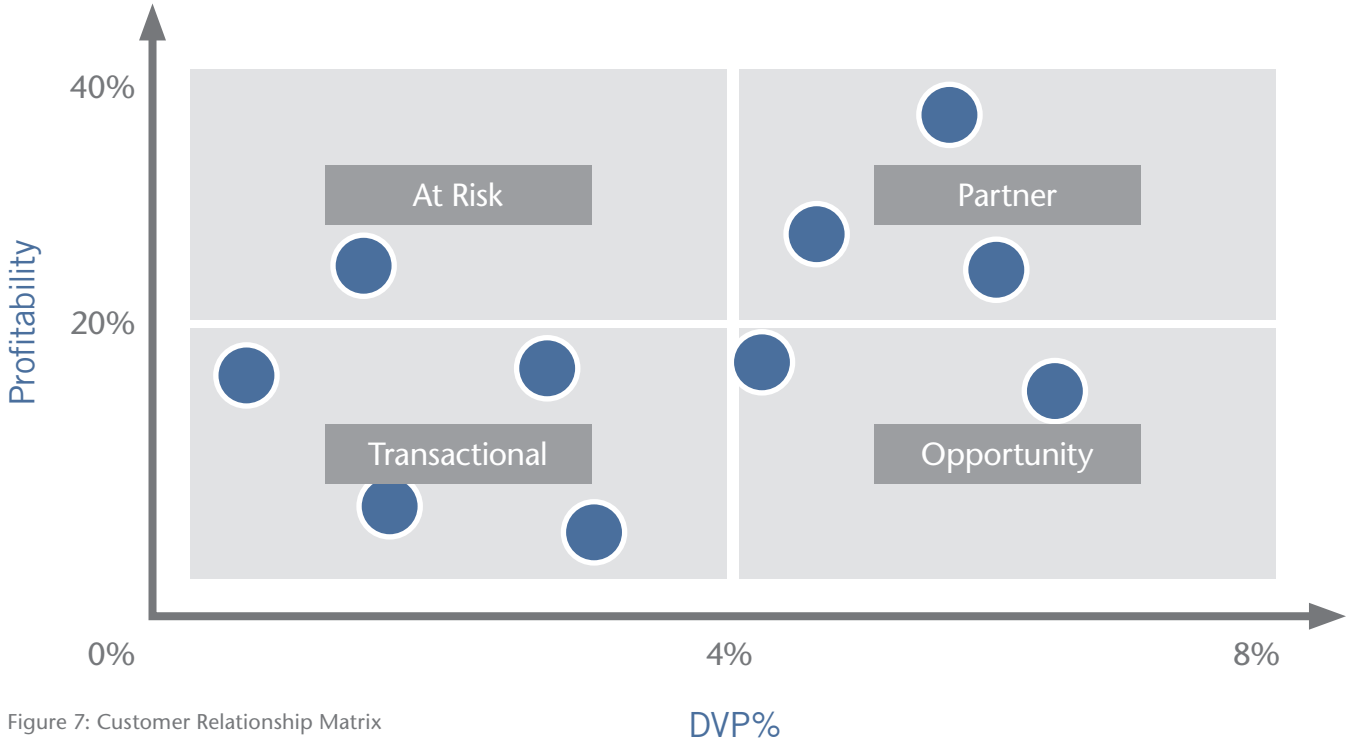


Figure 7: Customer Relationship Matrix

That is pretty good knowledge if you are thinking about how to improve products, allocate resources, prioritize projects, price product or service extensions, etc.

Analyze is an area companies underestimate when they first start with DVP. Early in the process most tend to act on a customer-by-customer basis. The activity goes like this: what did the customer say, oh we can fix that, the customer receives benefit and you do as well, wow that was good and you decide to include more customers. It is sort of like a series of mini projects. There is absolutely nothing wrong with what we just described as you need to get positive returns on specific customers to generate organizational interest and excitement. So when we say underestimate we mean this, the big opportunity is when you start getting wide swaths of middle managers within an organization using this customer knowledge to inform their work across whole markets, regions and countries. This takes some time and sometimes cultural change. But a powerful element of DVP is unleashed when wide swaths of middle managers look to DVP customer knowledge during the normal course of their days work.

Attribute	Opportunity	DVP\$	% of Total Opportunity	% of Customers Interviewed	% of Revenues Interviewed
Service	Reduce Repair Cycle Time and Costs	\$370,000	29%	67%	50%
Product	Enhanced Imaging	\$270,000	22%	83%	90%
Product	Higher level of customization	\$250,000	20%	50%	50%
Support	Higher level of Technical Support	\$120,000	10%	50%	50%
Customer Operations	Assistance Building business cases	\$60,000	4%	40%	30%

Figure 8: Top Opportunity List

## Decide

Once we get through Analyze, it is on to Decide. What are the promises we are going to make, what are we going to do, and how are we going to make those promises visible to our organization so they can execute and inform our customers? Maybe you are making decisions on a strategic customer where several conversations were held or maybe you are making decisions regarding a market where 30 or 40 customers were sampled. Or, maybe you are aggregating DVP Datasets across countries and looking to decide on big, common investment themes. DVP ensures that Datasets and Analysis are available and visible at the time decisions are made. Better data...better decisions...better Customer Promises Made!

This is where Render really starts to earn its stripes. You see, there are plenty of companies who have good conversations with customers and draw some conclusions from those conversations. But when it comes to organizing datasets and analysis that look like DVP from 100's or 1000's of customers it takes a tool. Linking those 1000's of customer conversations to your decisions so you can go back to the customer and tell them the news: you've decided to improve upon something they suggested, make a promise. The tool that does this and helps you to get the customer data in the first place is Render.

## Execute

Finally we get to Promise Keeping. Promise Keeping contains two steps in our DVP process: Execute and Measure. It is pretty hard to argue that anything discussed so far really matters unless we execute on the promises we make and then measure if we and the customer make more money as a result. The contribution DVP makes in Execute is to provide a way to incorporate Promises directly into customer plans that were originally informed by the customer. There is a psychology of accountability that goes on here that follows one of the most basic and powerful human conditions—Reciprocity.

Reciprocity means 'if you do something for me, I feel compelled to do something in return.' The way this works in DVP is by keeping information organized in such a way that we can show a customer

the inputs they provided and connect our actions directly back to that input. The goal is to show the customer a direct correlation between **their** input and **our** actions. By doing this we keep them on the hook and elevate their accountability to achieve positive results. There is a darker side as well. When we make these direct correlations we put ourselves in a position of having to execute or perform or face the customer and acknowledge we did not execute.

The DVP approach is organized in such a way as to reinforce this direct line of sight and accountability to Promise Keeping. For some it is uncomfortable. We have had more than a few sales professionals who hesitate using DVP in Promise Keeping with the rigor it is intended because they are afraid their own organization will not Keep its Promises. The sales professional would rather dance, wave their magic hands and wait to see if their organization takes action and then sell. The problem is that most of the time the customer has completely lost sight of the fact they are receiving something they very much had a hand in creating. Reciprocity is lost.

## Measure

Measure is the last step of Promise Keeping. This is focused on tracking DVP over time alongside your own profitability and determining if progress is being made. What DVP adds to the idea of measurement is a metric in DVP% that is more financially rigorous than most thereby allowing a better correlation to your money with customer money. When the customer makes money because of you do you make money in return? In our experience the benefits accrue in this order:

1. **Increased share with the customer:** the most available benefit a customer has to give is more or their business
2. **Reduced cost to serve:** you spend less on stuff that does not matter to the customer
3. **Win new customers:** when the organization gets better at understanding how and why they create value for existing customers then winning new becomes more effective
4. **Higher Prices:** hardest to get and normally comes after having demonstrated and measured your ability to help the customer make more money by doing business with you

## ➤ THE DVP SOFTWARE: RENDER

We have mentioned the Render software several times, and it rounds out our conversation on the DVP System. The DVP story in WWC is not about building the Render software. It is however a real life story of experiences on what it has taken to transform a popular concept—get close to your customer—into reality. Part of the reality is the need for a tool, and the tool is Render.

We have had a ton of fun building Render with our customers. One of the things you learn early on in B2B is that most B2B companies are not loaded with marketers. There are simply not many people around to collect customer data, then analyze, communicate and ultimately ensure the customer



knowledge is leveraged in an organization from decision through execution and measurement. Render is designed and built to help the organization ensure these activities are completed and sustained in a cost effective manner.

Using the latest in technology, Render is a web-based software platform which provides a means for you to scale DVP in your organization and make it part of how you do business.

## ► THE DVP SYSTEM: SUMMARY

The point we will leave on is what we think makes DVP work. We don't think it is the cool DVP% metric. We don't think it is the great customer conversations. We don't think it is rigorous analysis and the interesting pictures and perspectives created.

What makes DVP work is the fact it is housed in a system that supports getting to scalable results.

The system has been built over a number of years, each piece a result of learning that occurred along the way. The system is:

### DVP Dataset

The dataset is easy to understand, yet deep enough to allow for spending a career refining its accuracy with customers. It lends itself well to the idea of continuous improvement and thereby provides a benefit that cannot be replicated easily by your competitors in a short period of time...it's not a simple survey. DVP does not blow with the wind depending on the next personality walking in the door.

### DVP Process

From building Internal DVPs as a group, to customer conversations to analysis and customer planning, the method has been pounded on and improved upon by very good companies. The method continues to improve and we hope it never stops. But for now the basic method itself, and learning attached, is valuable and helps to drive results.

### Render DVP Software

The Render software and DVP training are the scaling catalysts which round out the system. Without them no company could ever really make DVP a part of their culture and a way of doing business. Believe us, we have been there and tried it. Without the tools, you end up with a really great project with no way to sustain, own and spread the DVP method across the organization.

## ➤ GET STARTED WITH DVP

DVP is a system that you can own as a capability, but most organizations find that a simple project is the best way to start. The first project is primarily meant to drive results, but will also help your organization recognize the tremendous impact DVP can have and identify the best path to scaling DVP across your entire business. During the first project, expect support from a Valkre Expert or a DVP Champion in your company. Once the first project is complete, the approach is to build out a DVP capability and scale it rather than relying on Valkre or other DVP experts to run projects. Outcomes of a First Project typically include:

1. **Scope.** Pick a Value Proposition where there's a need, sales is engaged and your position with customers matter
2. **Project.** Assemble Team and execute DVP in 8-12 weeks... generating all the DVP outcomes along the way
3. **Capability Blueprint.** Determine right path to developing a sustainable and scalable DVP capability

Welcome to the DVP Journey!

## About the Author



Jerry Alderman, CEO

Jerry Alderman is an entrepreneur, founder, and chief executive officer of Valkre Solutions, Inc. Valkre was founded in 2008 and is headquartered in Chicago, Illinois.

Valkre is a software tools and services company whose primary mission is to develop capability within Business-to-Business (B2B) companies to use “deep customer understanding” to build and execute customer-driven strategies and operating plans.

Prior to founding Valkre, Inc., Jerry was a senior vice president for Exogen. During his tenure dating to 2001, he led and developed his innovative approach to building corporate competitive advantage through using and executing on unique, deep customer insights. Jerry started his business career at Boise Corporation where he spent 12 years learning and experiencing the unique challenges of B2B companies.

Before starting his business career, Jerry served six years on nuclear submarines as a Naval Officer through the Admiral Rickover program. During this time, he participated in special operations on fast-attack subs and stealth missions on ballistic missile

submarines and through these experiences, gaining a deep respect for the capability of high-performing teams and the power of technology and innovation to drive outcomes. These experiences, combined with a bachelor degree in Civil Engineering, a master’s in Nuclear Engineering, and an MBA from the University of Chicago Booth School of Business provide a broad base of problem-solving skills from which Jerry grounds his work.

Alderman’s recognition as a thought leader is growing and he continues to contribute to the advancement of business science through his practice, speaking, writing, and academic contributions.

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## About Valkre

Valkre was founded in 2008 in Chicago, but the work began in 2001 as a boutique consulting service for a who’s who of companies including Owens Corning, Kimberly Clark, Turtle Wax, ExxonMobil Chemical, Motorola, RR Donnelly and more. Out of the consulting work, an innovative approach was developed to building competitive advantage - having a different conversation between suppliers and

customers. Since the early days in 2001, the company emerged as a leader in providing technology-based tools and solutions that allow B2B companies to leverage this new customer conversation into the everyday management of business.

Valkre’s vision is that B2B companies who excel at collaborating with their customers, and efficiently managing such work in real-time, will win in the marketplace.

Valkre executed against this vision with a new, aggressive DVP Management System. This system includes the DVP Process, Dataset and a Web 3.0 technology place to do work - Render.

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## Valkre Solutions, Inc.

Valkre builds tools to help Business-to-Business (B2B) companies unlock growth by creating differential customer value faster than competitors, year after year. These tools, tested over 10 years with leading corporations, change the conversation with customers, quantify a company's impact on customer profits, identifies new opportunities to impact customer profits, and creates organizational accountability to generate and communicate measurable business outcomes. With software, expert services, and training, Valkre's mission is to generate exponential returns for its customers by creating a scalable, sustainable capability for the entire organization.

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