

Listening  
Post

## LP Complaint Value Analysis (CVA)

Need to justify your investment  
in complaints handling?





## LP Complaint Value Analysis (CVA)

### WHAT IS THE RETURN-ON-INVESTMENT FROM YOUR CURRENT SPEND ON COMPLAINTS-HANDLING?

LP CVA is a financial analysis tool that identifies and quantifies the cost of your organisation's complaints and feedback processes. It reveals the sensitivities of many variables and shows how process alterations can reduce costs and grow revenue.

LP CVA enables you to build a strong business case for making the necessary changes.

After a negative experience, customers often change their buying behaviour. In extreme cases, they take all of their business elsewhere. The way they talk about their experience also influences the behaviour of others.

It's common knowledge that a high proportion of annoyed or dissatisfied customers who have good reason to complain don't do so. What is not so well known is that those who do speak up are less likely to take their business elsewhere. They are also less likely to influence others negatively.

Think about that. In combination, those two factors make a strong case for actively encouraging complaints.

And, there are even more benefits to be gained from best-practice complaints-handling.

- Handled well, your unhappy customers can become more pleased with you than they would have been if they had never had a problem. Their positive messages spread.
- By listening to their complaints, and learning from them to initiate change, your business grows better and stronger.

So, surprising but true. More complaints is actually a good thing for the bottom line and the business overall.

#### IS THERE A CATCH?

No, but there are always costs involved in handling any complaint. Unless you change your processes, encouraging more complaints inevitably means more cost to handle the higher volume. That's OK, as long as the balance is right between the costs and the benefits. The return on investment needs some analysis, and that's what LP CVA provides.

LP CVA is an analysis tool that:

- identifies and quantifies the real cost of your organisation's existing complaints and feedback processes;
- models the at-risk revenue from negative customer experiences;
- models the future costs of different complaints-handling processes;
- models the revenue effect of changing those processes.

That analysis reveals the business case for investing in revised complaints-handling processes. Guided by LP CVA, you will know how much to invest in, and how much additional revenue potentially can be unlocked by, adjusting your complaints-handling practices.

**LP CVA helps you make optimum choices based on knowledge and modelling, not guesswork.**



*ON AVERAGE TWICE AS MANY PEOPLE  
ARE TOLD ABOUT A BAD EXPERIENCE THAN THEY  
ARE ABOUT A GOOD EXPERIENCE.*

*SOURCE: GOODMAN 1999*



### **THE COST OF HANDLING COMPLAINTS**

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Correctly recognising the in-principle importance of handling customer complaints well, many organisations put in place formal complaints-handling processes. These processes have some obvious real costs. Other aspects may not be accounted for explicitly because they are disguised or become invisible amidst other daily work activity, giving the appearance of absorbed costs whilst still being a real cost to the organisation.

### **FINDING THE RIGHT BALANCE**

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Prudent management strives to understand the balance between these factors. Whilst good-quality complaints handling is intrinsically meritorious, what is commercially at stake needs to be understood and weighed against the investments necessary to achieve the modern concepts of complaints-handling best practice.

LP CVA enables an organisation to analyse the financial implications of its present complaints-handling processes and to see how sensitive the cost/benefit balance is to fluctuations in key variables. In this way, LP CVA helps an organisation build the business case for excellence in complaints handling and to understand where the maximum leverage points are.

The exclusive LP CVA methodology is built on nine foundations:

1. complaint volumes and front-line resolution rates
2. people costs (staff time) including escalation costs
3. other direct costs (such as software and brochures)
4. indirect costs (such as managerial time in planning, reviews and audits, staff turn-over)
5. recovery costs (such as replacements, or ex-gratia payments)
6. implications of customer behaviour (such as their exiting the relationship)
7. implications of the complaints the organisation doesn't hear about
8. estimating internal benefits returned to the organisation today from existing processes
9. looking at future benefits from changes which might be made

### **PUTTING LP CVA TO WORK**

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An experienced Listening Post consultant works with you to undertake an LP CVA study.

You select a small team of people who, between them, understand customer value, business and staff processes, various organisational costs and the current complaints system. Facilitated by the consultant, this team discusses the nine foundations, sourcing necessary data and making agreed, educated estimates where hard data may be unavailable.

Your consultant analyses this data, coming back to you for clarification where necessary. Interim modelled results and their implications are presented for a "sanity check" before the preparation of your final report.

### **INCREASE YOUR COMPETITIVE ADVANTAGE WITH LP CVA**

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Whilst the concepts of at-risk revenue from bad customer experience have been around for some time, we are confident that LP CVA is the most sophisticated and detailed model of its type available anywhere today.

### WHAT NEXT?

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LP CVA is the best available return-on-investment analysis for complaints handling.

When you're ready to understand what revenue is at-risk from negative customer experiences, and what you can do about managing it, you're ready for an LP CVA analysis.

Order your LP CVA analysis today.

When you are ready to begin just contact the Listening Post team.

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