Optimizing the Tradeoff

Cost vs. Quality in IT Support

MetricNet Best Practices Series

MetricNet™

Performance Benchmarking

27 Years of IT Service and Support Benchmarking Data

Global Database

More than 3,700 IT Service and Support Benchmarks

70+ Key Performance Indicators

More than 120 Industry Best Practices

10 Industry MegaTrends

- ❑　The rise of the Strategic Service and Support Organization

- ❑　Holistic use of KPI's

- ❑　Benchmarking to Improve Performance

- ❑　User Self-Help

- ❑　Marketing Service and Support

- ❑　Understanding TCO and Shift Left Strategies

- ❑　First Contact and First Level Resolution

- ❑　Process Rationalization (ITIL, ITSM)

- ❑　Knowledge Management and Remote Diagnosis

- ❑　**Service Optimization: <u>Cost vs. Quality</u> in IT Support**

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Competing Objectives: Cost vs. Quality

Lower Cost

Higher Quality

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Doing Things Right

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Performance Benchmarking

Some Common Service Desk KPI's

Cost
- Cost per Contact
- First Level Resolution Rate

Quality
- Customer Satisfaction
- Call Quality
- % Escalated Level 1 Resolvable

Productivity
- Contacts per Agent per Month
- Agent Utilization
- Agents as % of Total FTE's

Agent
- Agent Occupancy
- Annual Agent Turnover
- Daily Absenteeism
- New Agent Training Hours
- Annual Agent Training Hours
- Schedule Adherence
- Agent Tenure
- Agent Job Satisfaction

Service Level
- Average speed of answer (ASA)
- Call abandonment rate
- % Answered within 30 Seconds
- Average hold time
- Average time to abandon
- Percent of calls blocked

Call Handling
- Contact Handle Time
- First Contact Resolution Rate
- User Self-Help Rate
- IVR completion Rate
- Percent of calls transferred

And there are hundreds more!!

KPI's: Which Ones Really Matter?

|	
Cost	• Cost per Ticket
Quality	• Customer Satisfaction
Productivity	• Agent Utilization
Call Handling	• First Contact Resolution Rate
TCO	• First Level Resolution Rate
Agent	• Agent Job Satisfaction
Aggregate	• Balanced Scorecard

Read MetricNet's whitepaper on *Service Desk Performance Metrics*. Go to www.metricnet.com to get your copy!

A Summary of the Major KPI Correlations

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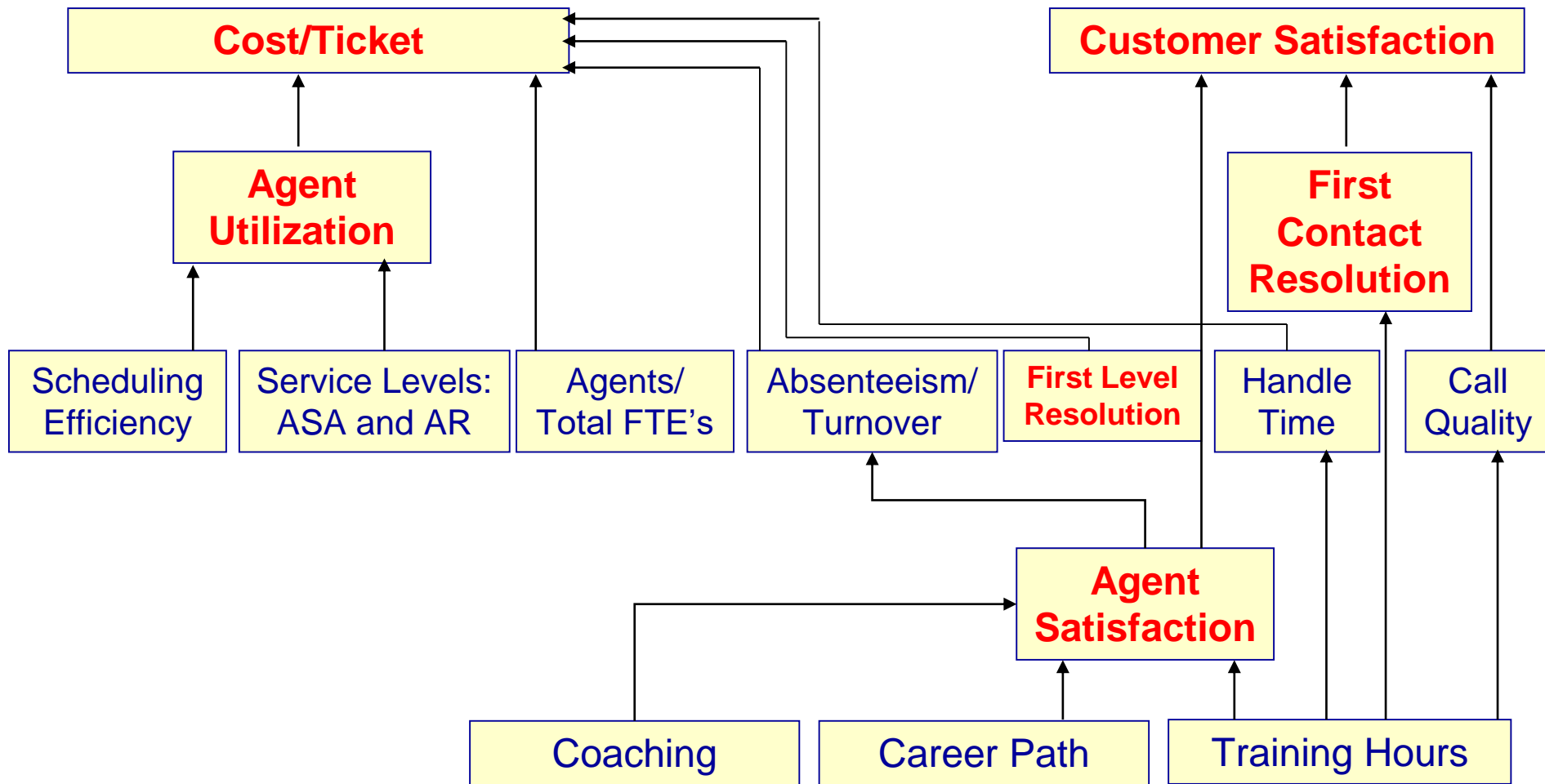
Some Common Desktop Support KPI's

Cost

- Cost per Ticket
- Cost per Incident
- Cost per Service Request

Service Level

- Average Incident Response Time (min)
- % of Incidents Resolved in 24 Hours
- Mean Time to Resolve Incidents (hours)
- Mean Time to Complete Service Requests (days)

Ticket Handling

- Average Incident Work Time (min)
- Average Service Request Work Time (min)
- Average Travel Time per Ticket (min)

Quality

- Customer Satisfaction
- First Contact Resolution Rate (Incidents)
- % Resolved Level 1 Capable
- % of Tickets Re-opened

Technician

- Technician Satisfaction
- New Technician Training Hours
- Annual Technician Training Hours
- Annual Technician Turnover
- Technician Absenteeism
- Technician Tenure (months)
- Technician Schedule Adherence

Productivity

- Technician Utilization
- Tickets per Technician-Month
- Incidents per Technician-Month
- Service Requests per Technician-Month
- Ratio of Technicians to Total Headcount

Workload

- Tickets per Seat per Month
- Incidents per Seat per Month
- Service Requests per Seat per Month
- Incidents as a % of Total Ticket Volume

And there are hundreds more!!

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The 80/20 Rule for Desktop Support KPI's

Cost

- Cost per Ticket

Quality

- Customer satisfaction

Productivity

- Technician Utilization

Call Handling

- First contact resolution rate (incidents)

Service Level

- Mean Time to Resolve

TCO

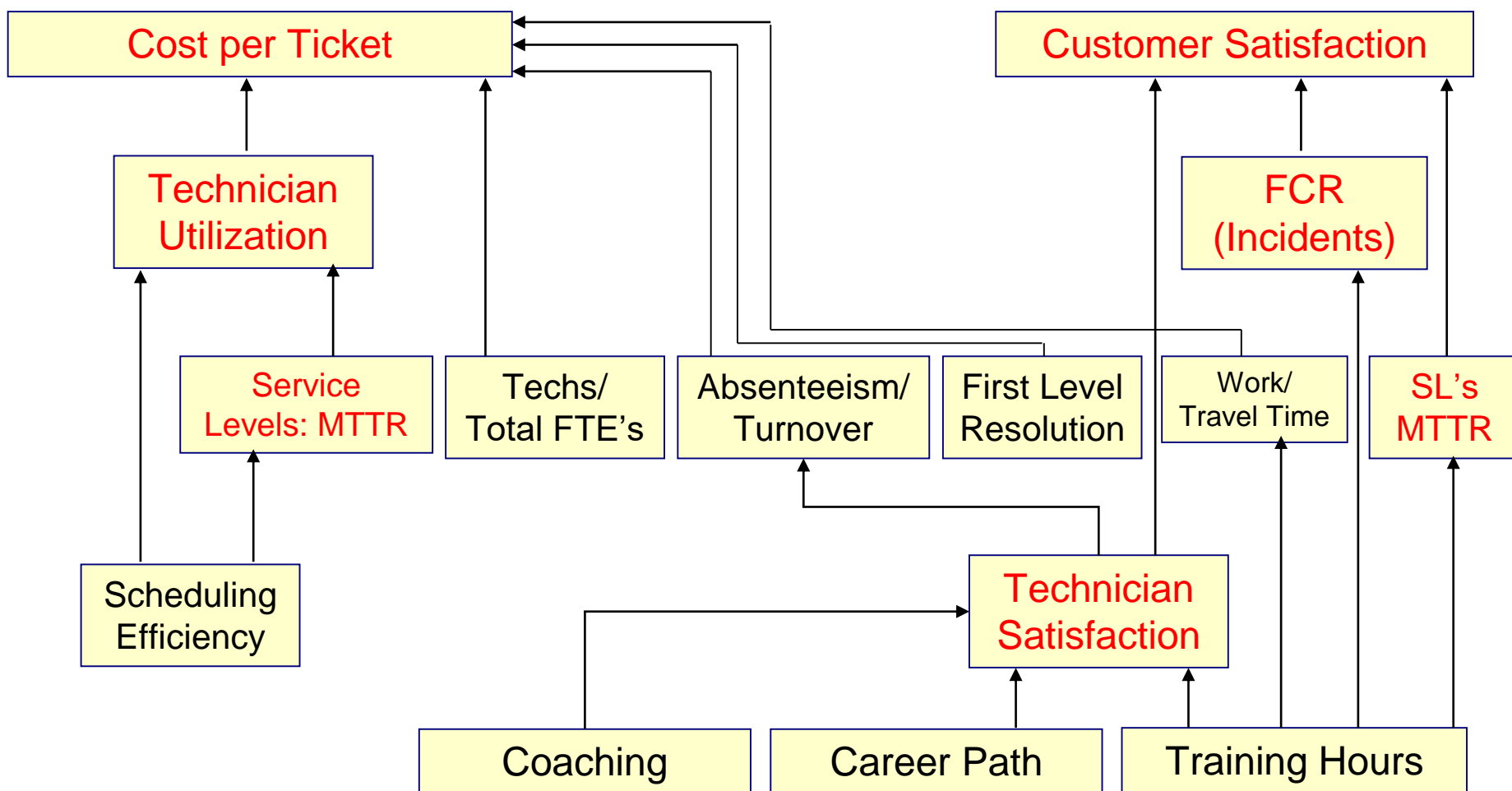- % Resolved Level 1 Capable

Technician

- Technician Satisfaction

Aggregate

- Balanced scorecard

A Summary of KPI Correlations for Desktop Support

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The Cost vs. Quality Tradeoff

Chart showing the cost vs. quality tradeoff. Vertical axis: Quality (Customer Satisfaction), ranging from Lower to Higher. Horizontal axis: Cost (Cost/Ticket), ranging from Lower to Higher. Two curves are shown: BEST-IN-CLASS PERFORMANCE CURVE (upper solid green line) and AVERAGE PERFORMANCE CURVE (lower dashed green line), with scattered data points between them.
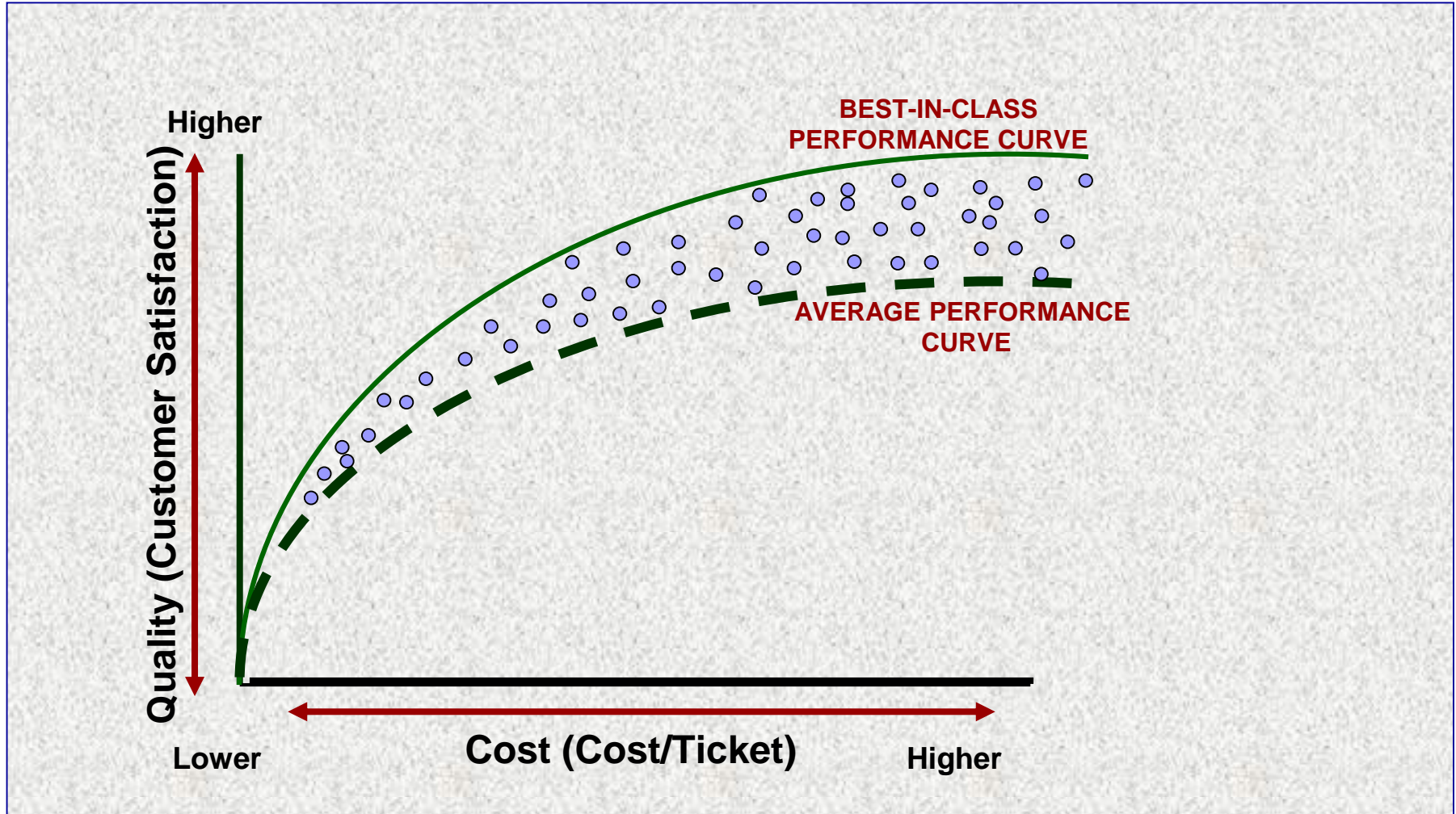
Another View: Cost vs. Quality

Higher Quality

Quality (Effectiveness)

Lower Quality

Middle Quadrants
Effective *but not* Efficient

Top Quadrant
Efficient *and* Effective

n = 25

n = 12

n = 36

n = 24

Lower Quadrant

Middle Quadrants
Efficient *but not* Effective

Higher Cost ←――――――――――→ Lower Cost

Cost (Efficiency)

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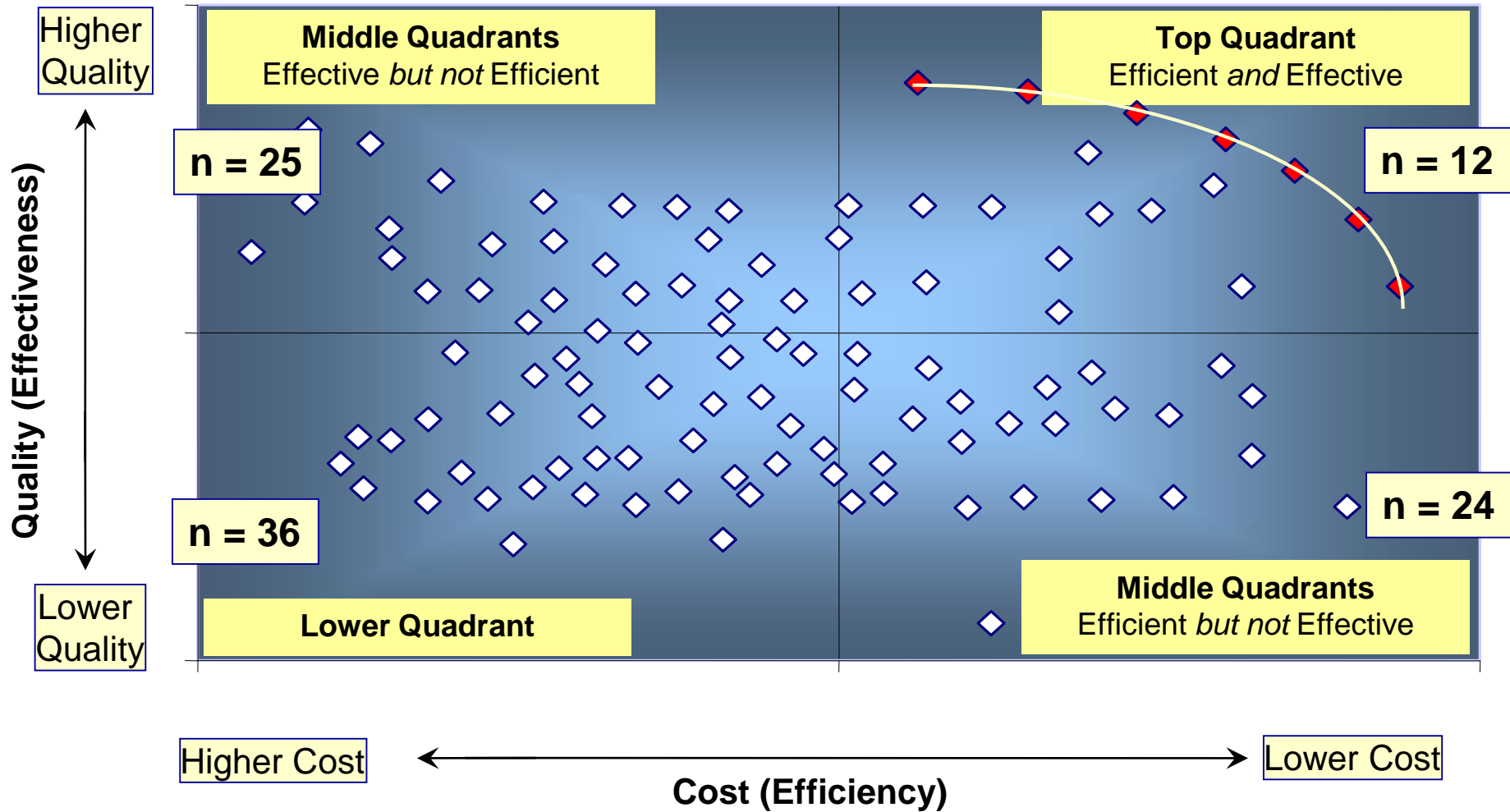
Four Cost/Quality Scenarios

Higher

Quality (Customer Satisfaction)

3. Higher Cost, Higher Quality

2. Lower Cost, Lower Quality

4. Highest Cost, Highest Quality

1. Lowest Cost, Lowest Quality

Lower

Cost (Cost/Ticket)

Higher

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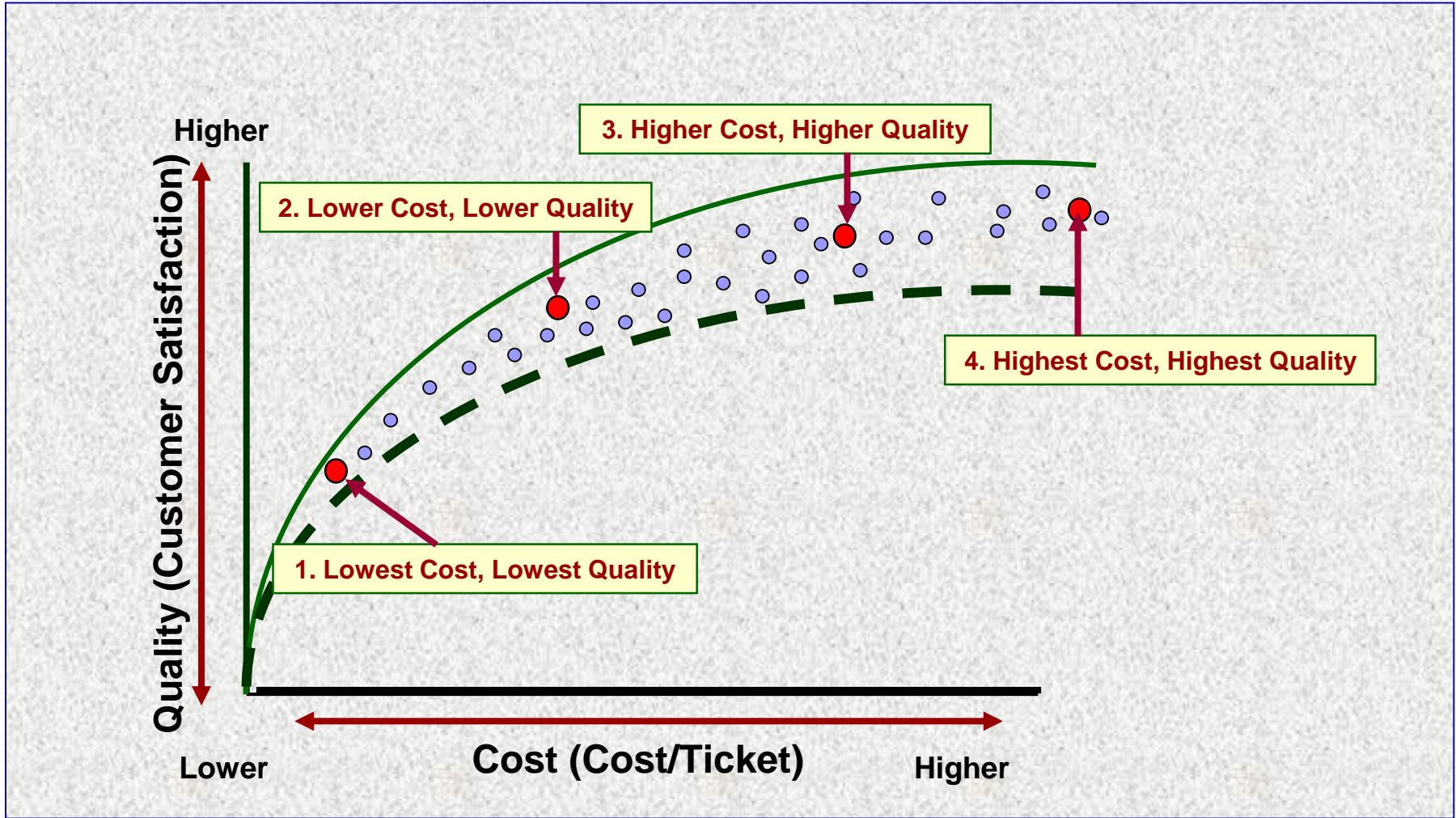
Key Performance Indicators: Four Service Desk Scenarios

Key Performance Indicators	Four Scenarios			
	Scenario 1 (Lowest Cost/ Lowest Quality)	Scenario 2 (Lower Cost/ Lower Quality)	Scenario 3 (Higher Cost/ Higher Quality)	Scenario 4 (Highest Cost/ Highest Quality)
Cost/Ticket	$9	$12	$18	$30
Customer Satisfaction	70%	82%	90%	95%
Agent Utilization	65%	60%	55%	50%
First Contact Resolution	60%	72%	78%	82%
Average Speed of Answer	90 sec	60 sec	30 sec	20 sec
First Level Resolution	75%	85%	90%	95%

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The Ideal Operating Range

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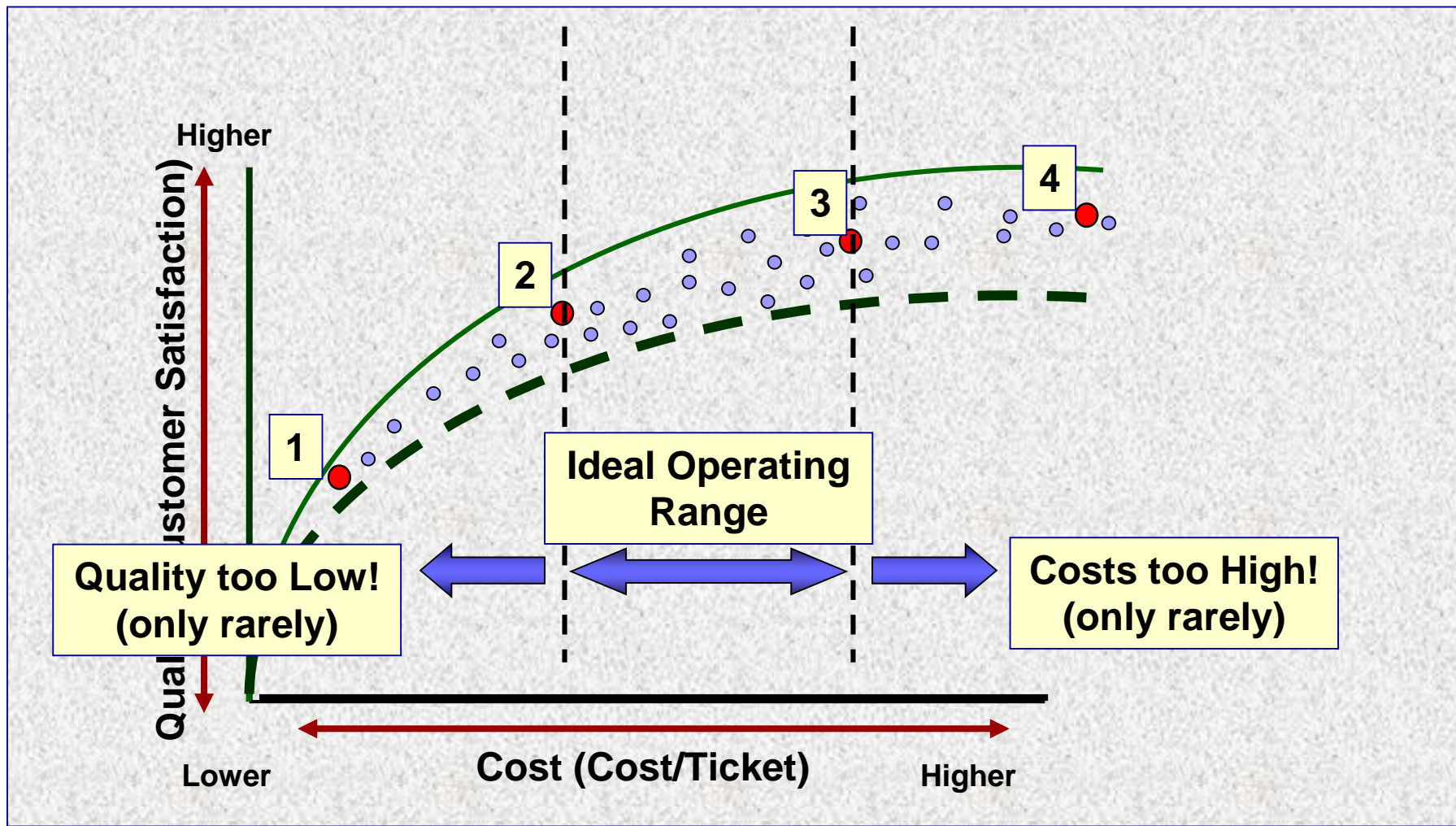
KPI's in The Ideal Operating Range

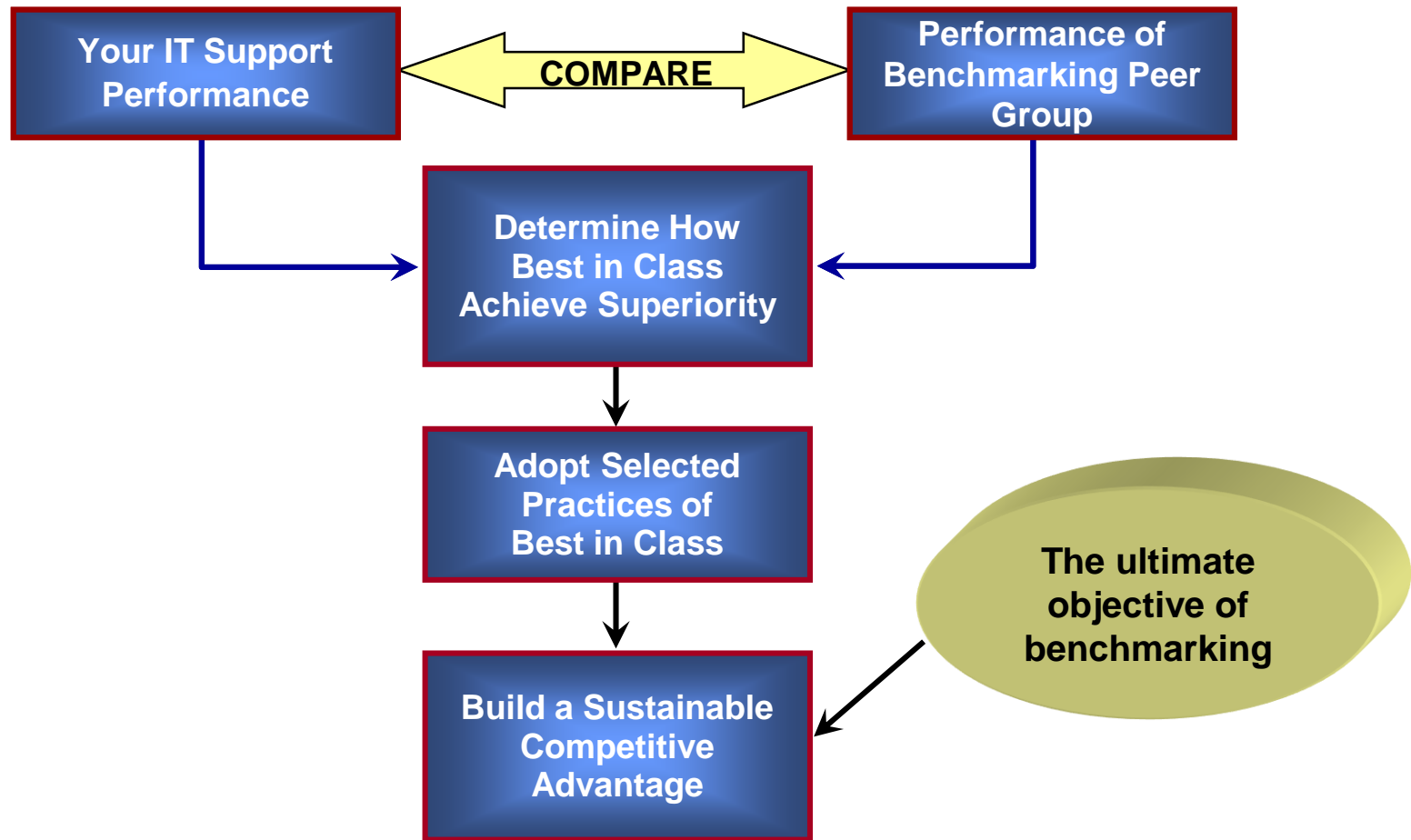| Key Performance Indicators	Performance in the Ideal Operating Range	
	Scenario 2 (Lower Cost/ Lower Quality)	Scenario 3 (Higher Cost/ Higher Quality)
Cost/Ticket	$12	$18
Customer Satisfaction	82%	90%
Agent Utilization	60%	55%
First Contact Resolution	72%	78%
Average Speed of Answer	60 sec	30 sec
First Level Resolution	85%	90%

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Optimizing the Cost/Quality Tradeoff

Getting there is a Two-Step process

1. Benchmark your Support organization to maximize Efficiency and Effectiveness

2. Fine Tune your Service Desk performance to achieve the ideal operating point
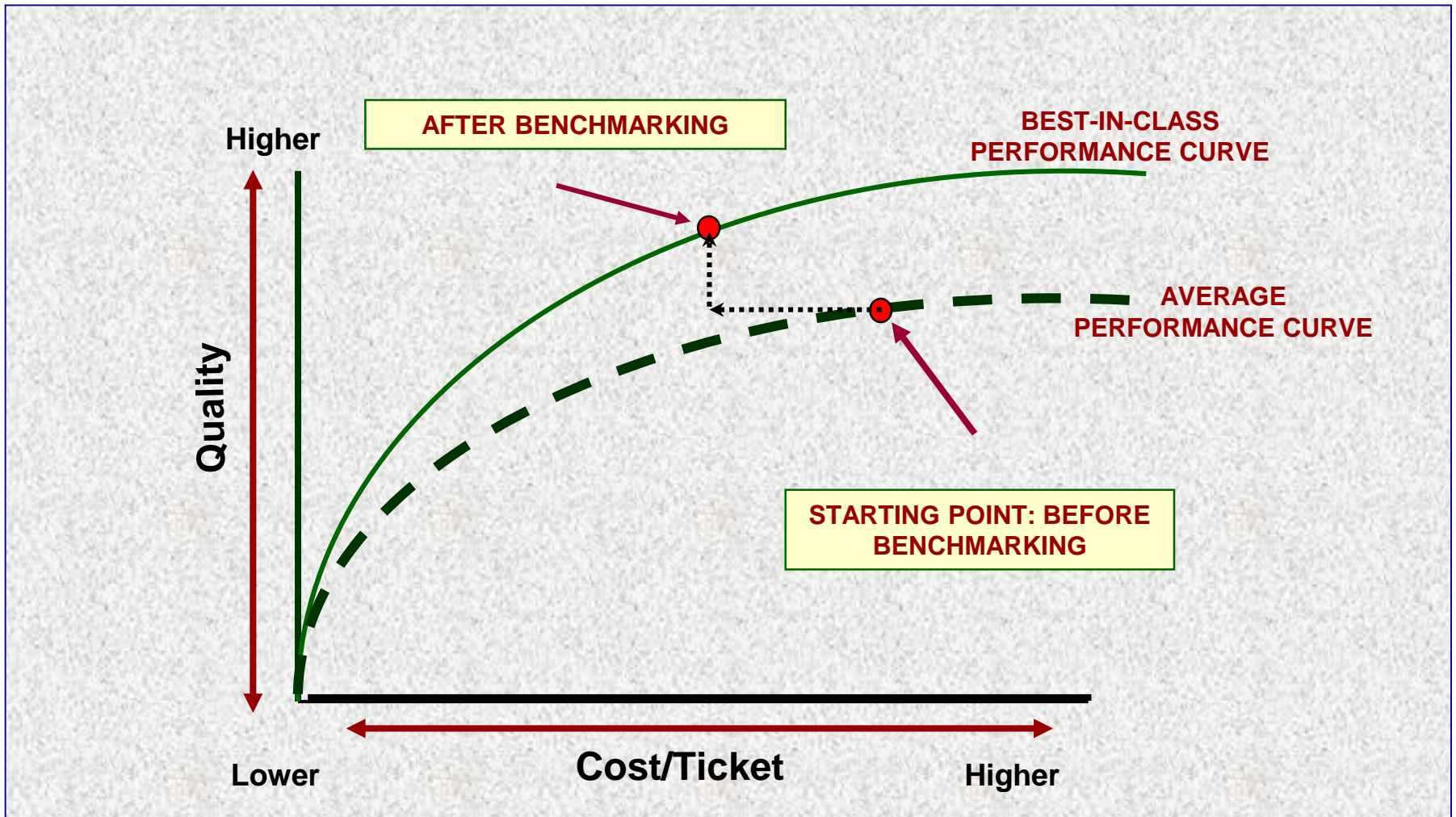
The Benchmarking Methodology

Your IT Support Performance

← **COMPARE** →

Performance of Benchmarking Peer Group

Determine How Best in Class Achieve Superiority

Adopt Selected Practices of Best in Class

Build a Sustainable Competitive Advantage

The ultimate objective of benchmarking

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The Widespread Adoption of Benchmarking

Fewer than 20% of all IT support groups engage in benchmarking.

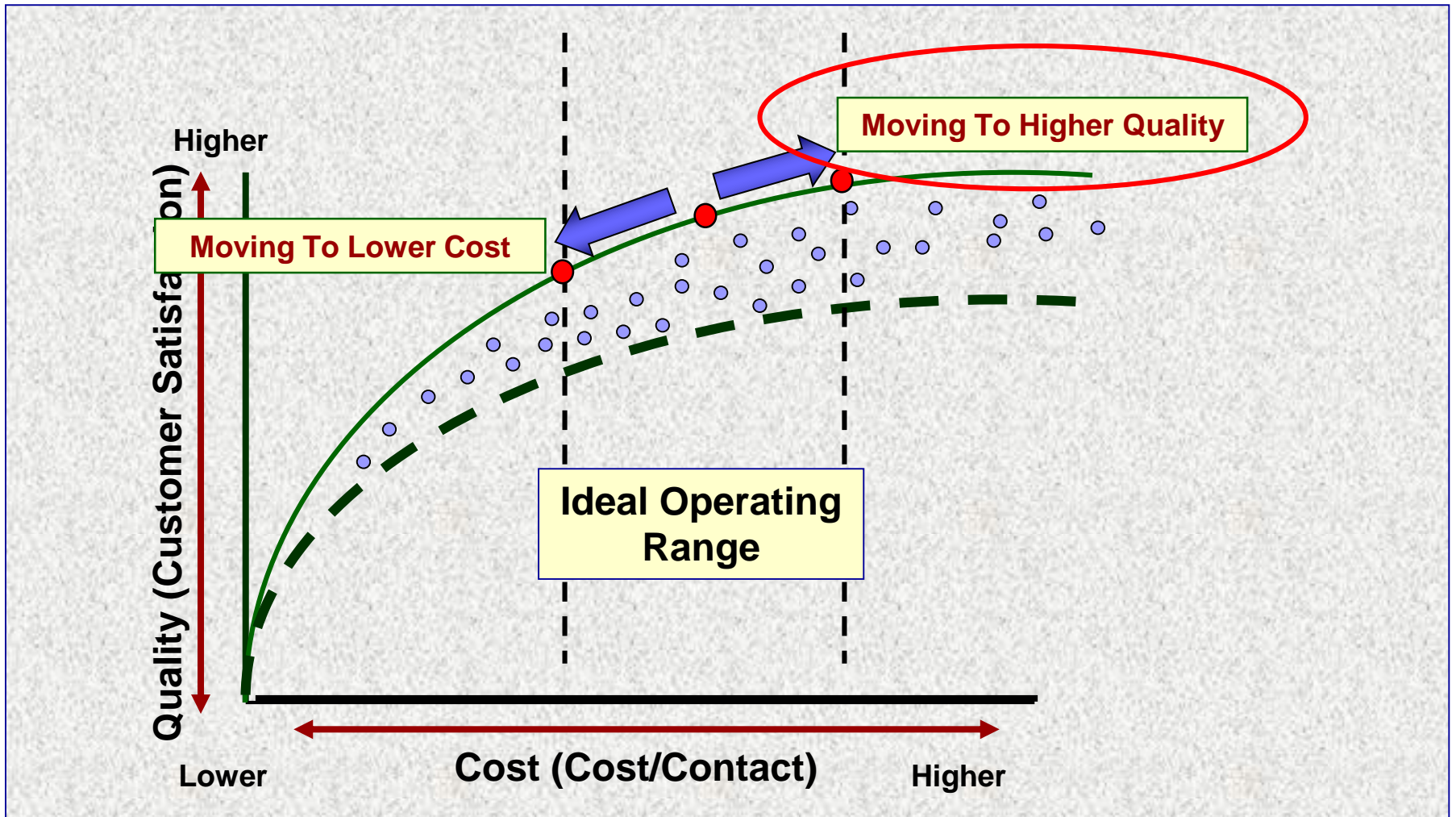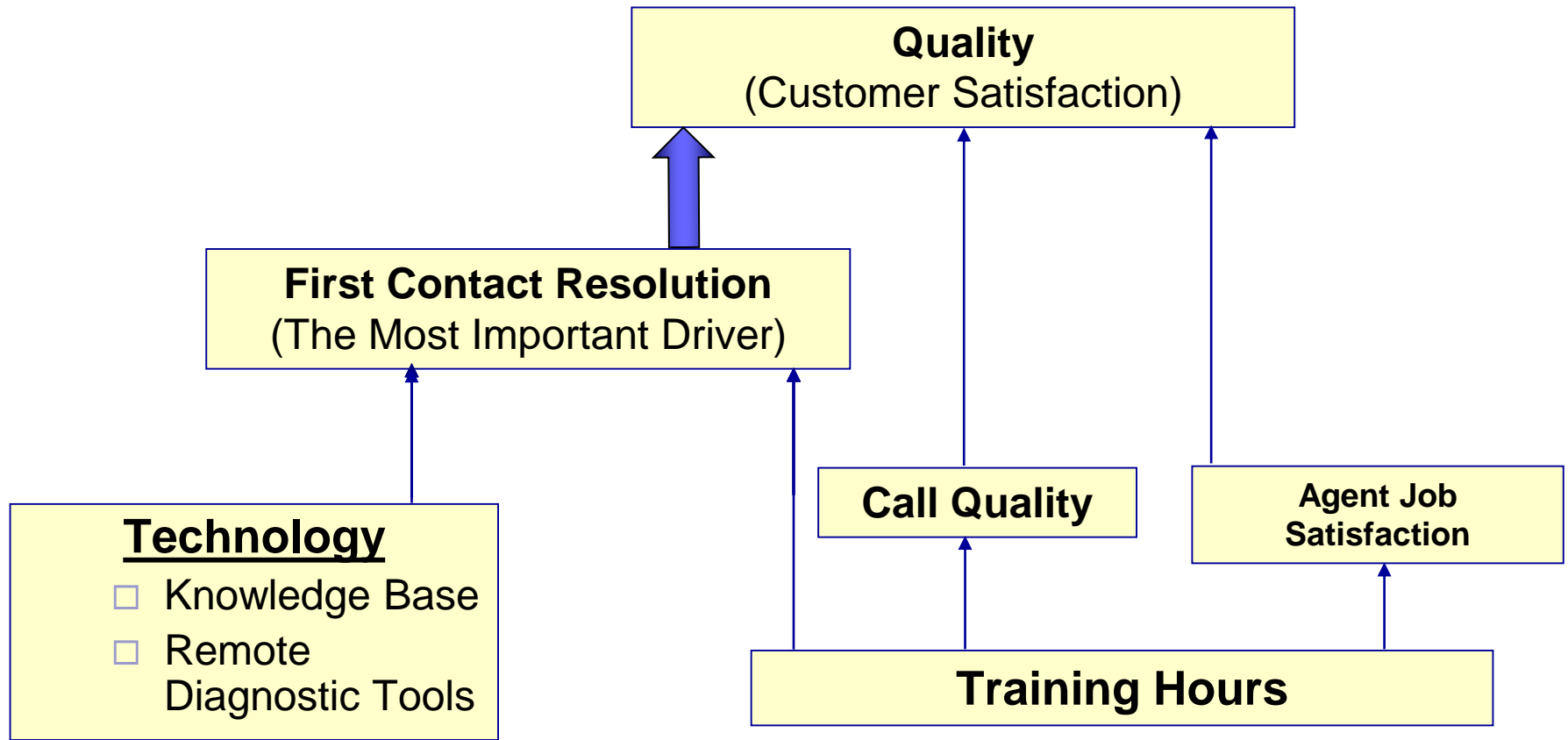*Yet there is a 1:1 Correspondence Between Benchmarking and World-Class Performance!*

Step 1: Benchmarking

AFTER BENCHMARKING

BEST-IN-CLASS PERFORMANCE CURVE

Higher

Quality

AVERAGE PERFORMANCE CURVE

STARTING POINT: BEFORE BENCHMARKING

Lower   **Cost/Ticket**   **Higher**

Step 2: Fine Tuning

Moving To Higher Quality

Moving To Lower Cost

Higher

Quality (Customer Satisfaction)

Ideal Operating Range

Lower

Cost (Cost/Contact)

Higher

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Moving to Higher Quality: Key Drivers

Quality
(Customer Satisfaction)

First Contact Resolution
(The Most Important Driver)

Call Quality

Agent Job Satisfaction

Technology
- ☐ Knowledge Base
- ☐ Remote Diagnostic Tools
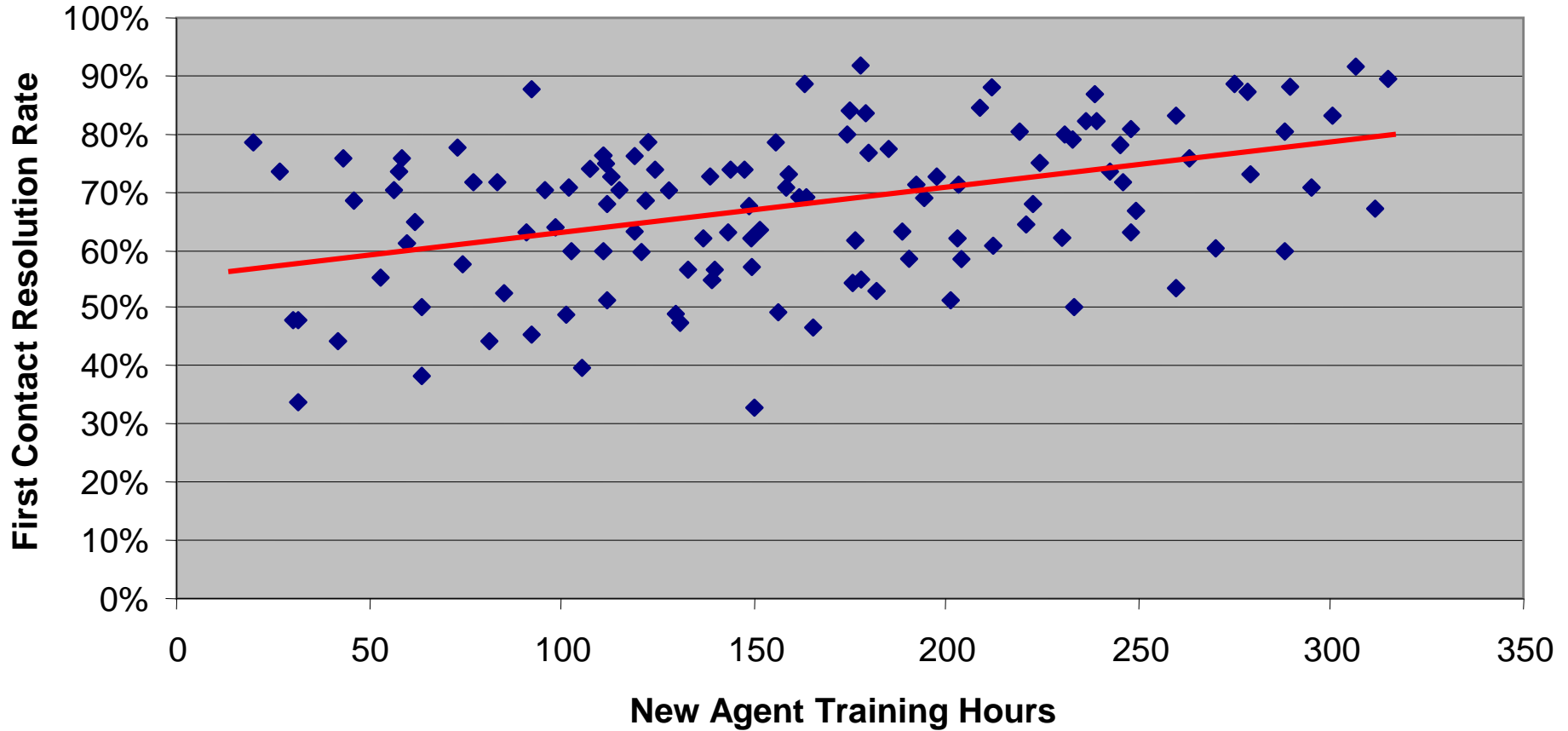
Training Hours

The Bottom Line

Every 1% Increase in First Contact Resolution Improves Customer Satisfaction by Approximately 1%!
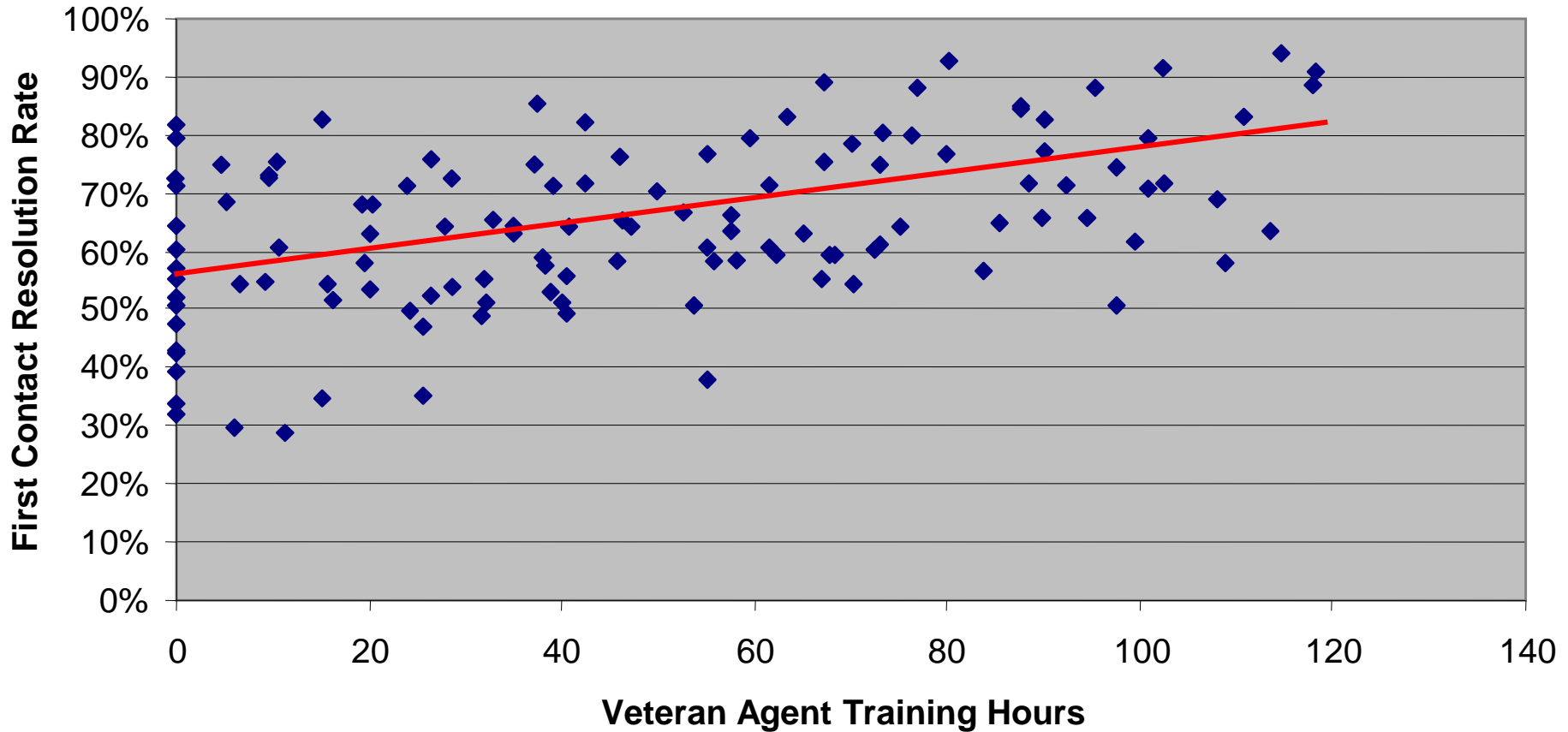
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First Contact Resolution Drives Customer Satisfaction
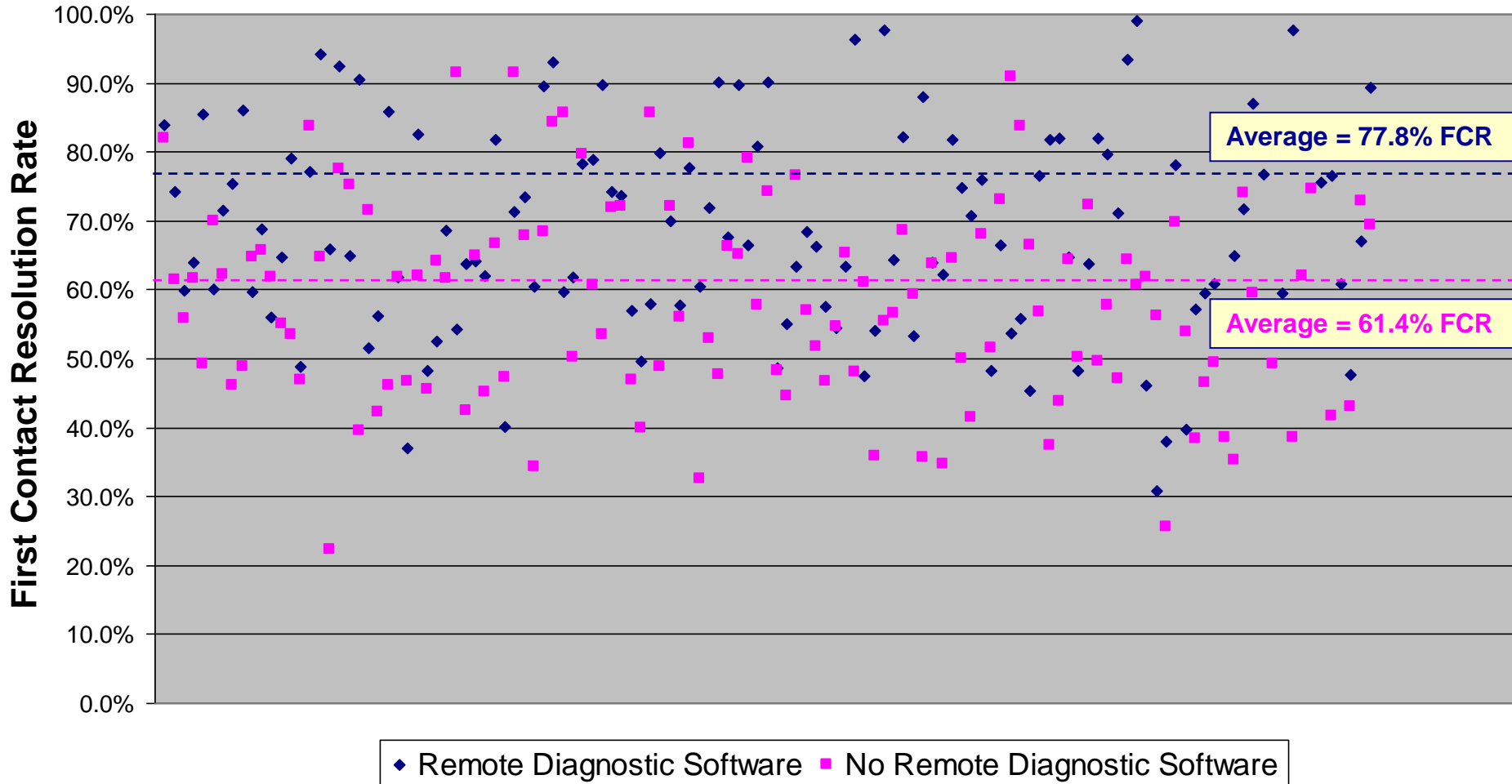
MetricNet
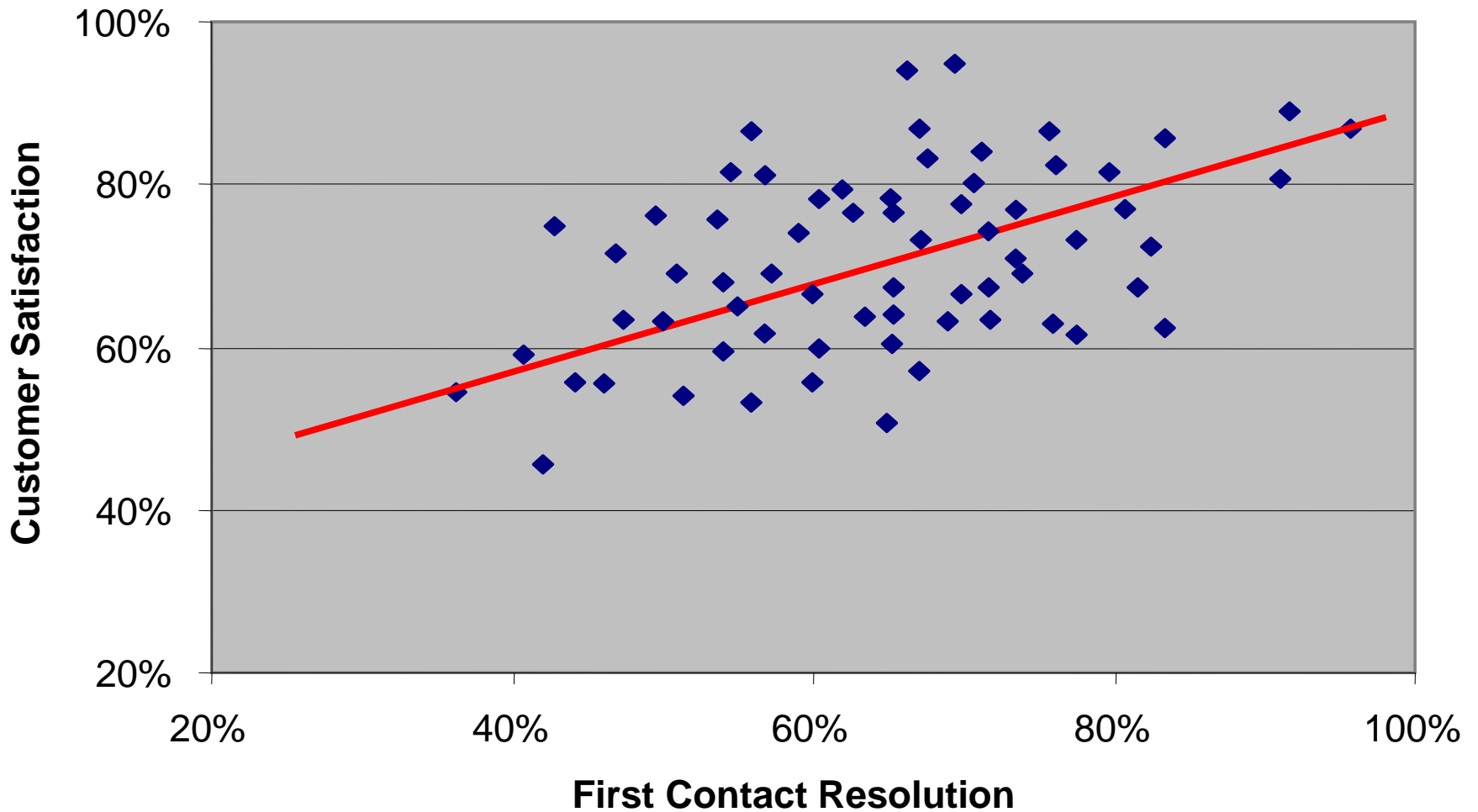
New Agent Training Hours vs. First Contact Resolution

Veteran Agent Training vs. First Contact Resolution
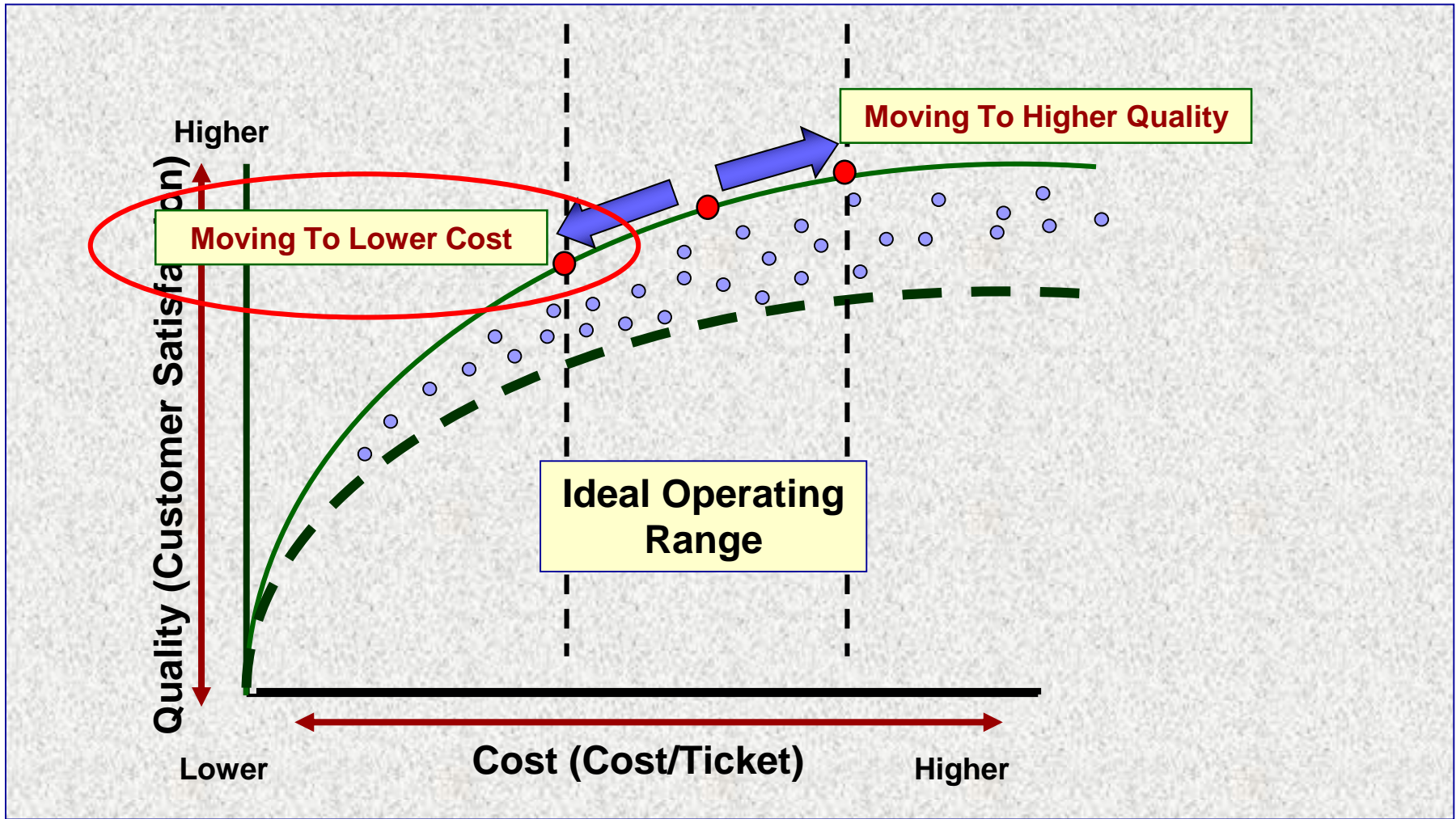
The Effect of Remote Diagnostic Tools on FCR

Average = 77.8% FCR

Average = 61.4% FCR

First Contact Resolution Rate

◆ Remote Diagnostic Software ■ No Remote Diagnostic Software

The Effect of a Mature Knowledge Base on FCR

Step 2: Fine Tuning

Higher

Moving To Higher Quality

Quality (Customer Satisfaction)

Moving To Lower Cost

Ideal Operating Range

Lower

Cost (Cost/Ticket)

Higher

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Moving to Lower Cost: Key Drivers

```
                                    ┌──────────────────────────┐
                                    │          Cost            │
                                    │     (Cost/Contact)       │
                                    └──────────────────────────┘
                                                 ▲
                                    ┌──────────────────────────┐
                                    │     Agent Utilization    │
                                    │ (The Most Important Driver)│
                                    └──────────────────────────┘
```

First Level Resolution	Handle Time	Scheduling Efficiency	Service Levels: ASA and AR

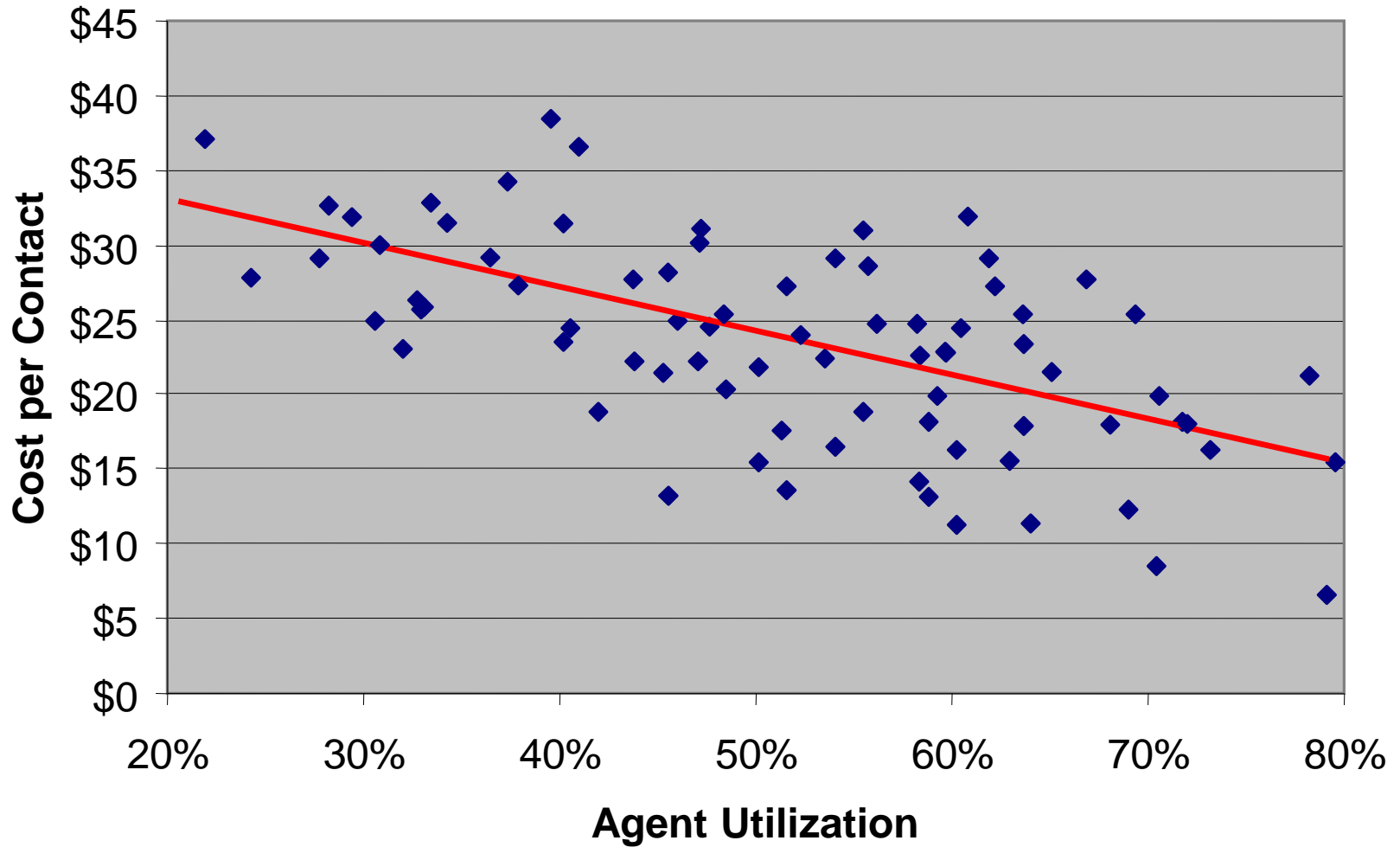| Technology Tools	Training Hours

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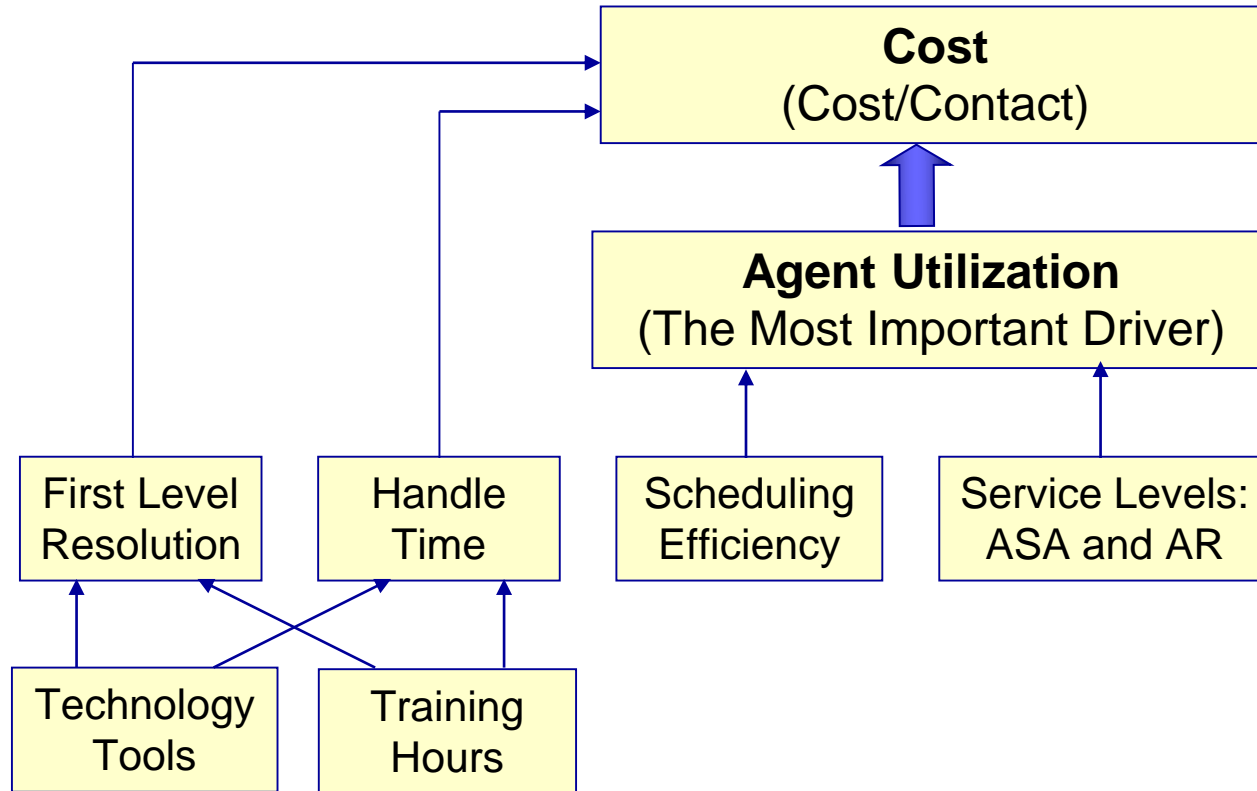
The Bottom Line

Every 2% Increase in Agent Utilization Reduces Cost per Contact by Approximately 1%!

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Agent Utilization Drives Cost per Contact

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Agent Utilization Defined

$$\text{Agent Utilization} = \frac{\text{((Average number of inbound Contacts handled by an Agent in a month) X (Average inbound handle time in minutes) + (Average number of outbound Contacts handled by an Agent in a month) X (Average outbound handle time in minutes))}}{\text{(Average number of days worked in a month) X (Number of work hours in a day) X (60 minutes/hr)}}$$

- ❑ Agent Utilization is a measure of the actual time agents spend providing direct customer support in a month, divided by total time at work during the month

- ❑ It takes into account both inbound and outbound contacts handled by the Agents, and includes all contact types: voice, voice mail, email, web chat, walk-in, etc.

- ❑ But the calculation for Agent Utilization does not make adjustments for sick days, holidays, training time, project time, or idle time

- ❑ By calculating Agent Utilization in this way, all Service Desks worldwide are measured in exactly the same way, and can therefore be directly compared for benchmarking purposes
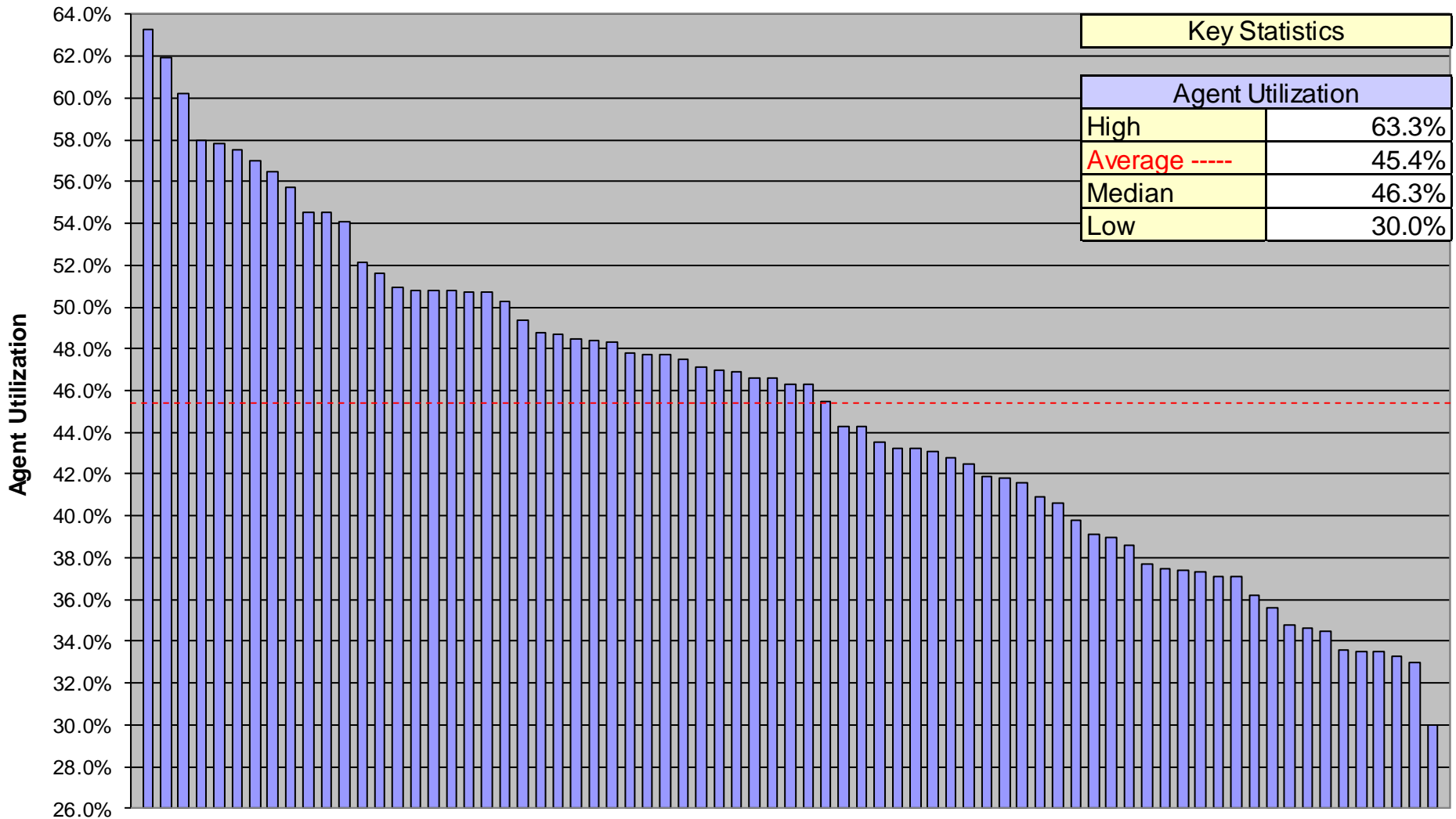
Example: Service Desk Agent Utilization

❑ Inbound Contacts per Agent per Month = 375

❑ Outbound Contacts per Agent per Month = 225

❑ Average Inbound Contact Handle Time = 10 minutes

❑ Average Outbound Contact Handle Time = 5 minutes

$$\text{Agent Utilization} = \frac{\begin{array}{l}\text{((Average number of inbound Contacts handled by an Agent in a month) X (Average inbound handle time in minutes) +} \\ \text{(Average number of outbound Contacts handled by an Agent in a month) X (Average outbound handle time in minutes))}\end{array}}{\text{(Average number of days worked in a month) X (Number of work hours in a day) X (60 minutes/hr)}}$$
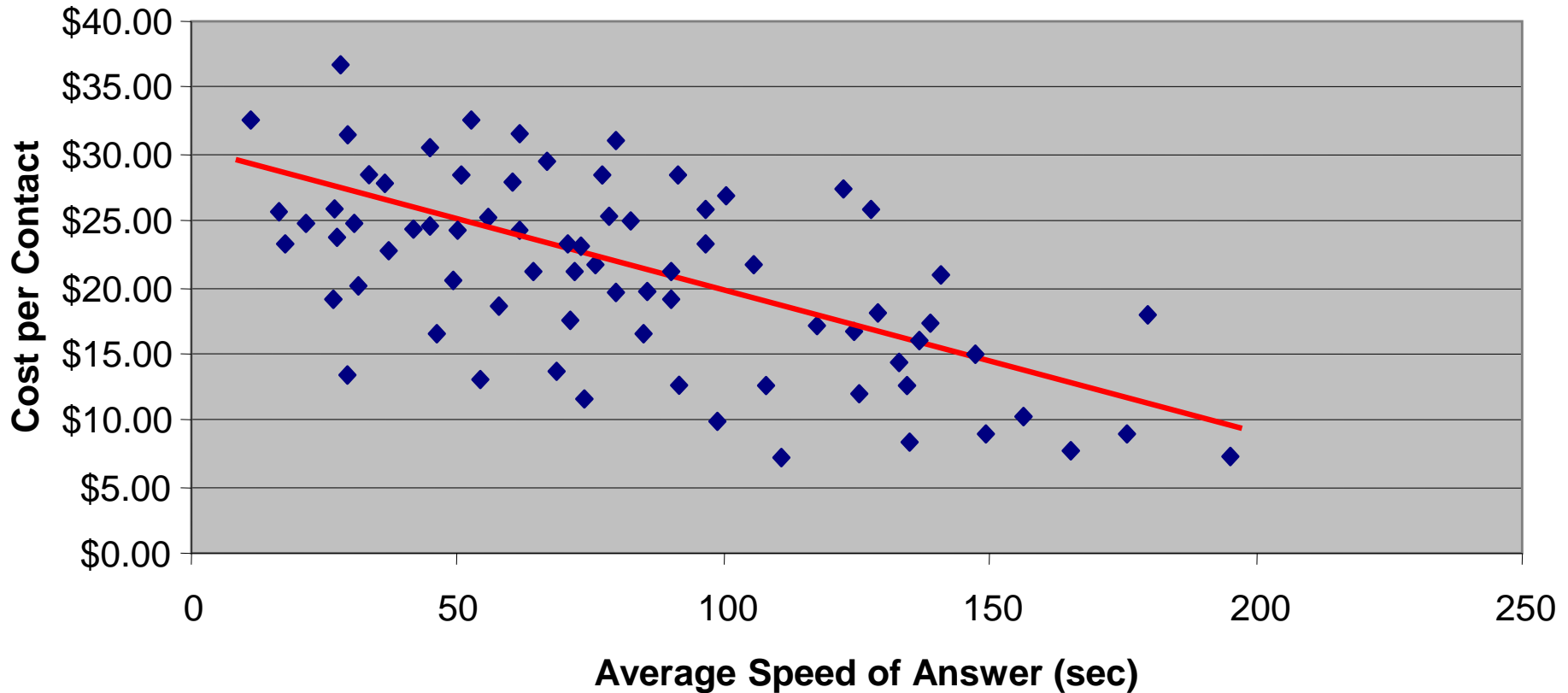
$$\text{Agent Utilization} = \frac{\text{((375 Inbound Contacts per Month) X (10 minutes) + (225 Outbound Contacts per Month) X (5 minutes)}}{\text{(21.5 working days per month) X (7.5 work hours per day) X (60 minutes/hr)}} = \textbf{50.4\%} \text{ Agent Utilization}$$

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Agent Utilization: Benchmarking Results

Key Statistics	
Agent Utilization	
High	63.3%
Average -----	45.4%
Median	46.3%
Low	30.0%

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ASA Drives Cost per Contact

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Call Abandonment Rate Also Drives Cost per Contact

Cost per Contact (y-axis): $0.00 to $45.00

Call Abandonment Rate (x-axis): 0.0% to 30.0%

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ASA vs. Customer Satisfaction

Chart: Y-axis labeled "Customer Satisfaction" ranging from 0.0% to 100.0%. X-axis labeled "ASA as a % of Total Handle Time" ranging from 0 to 20%.

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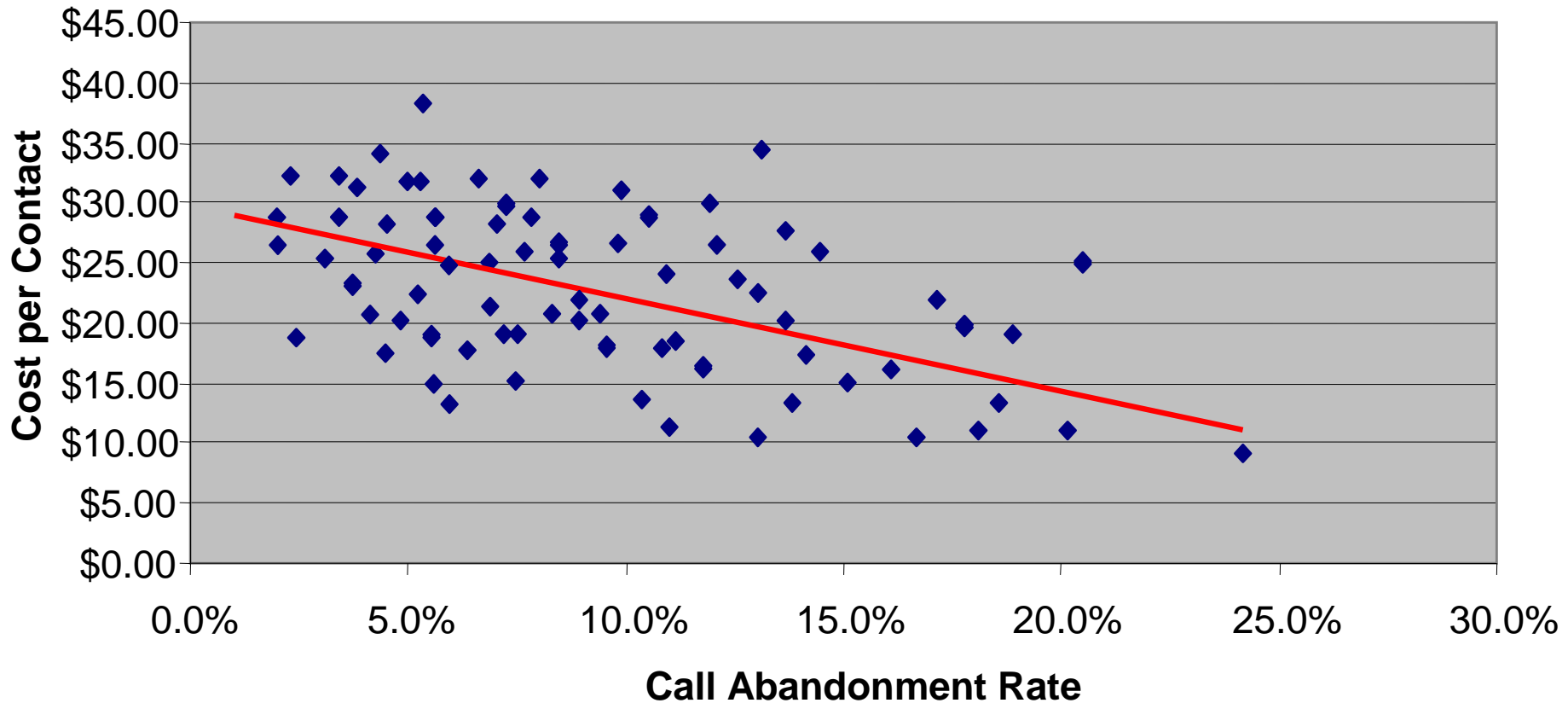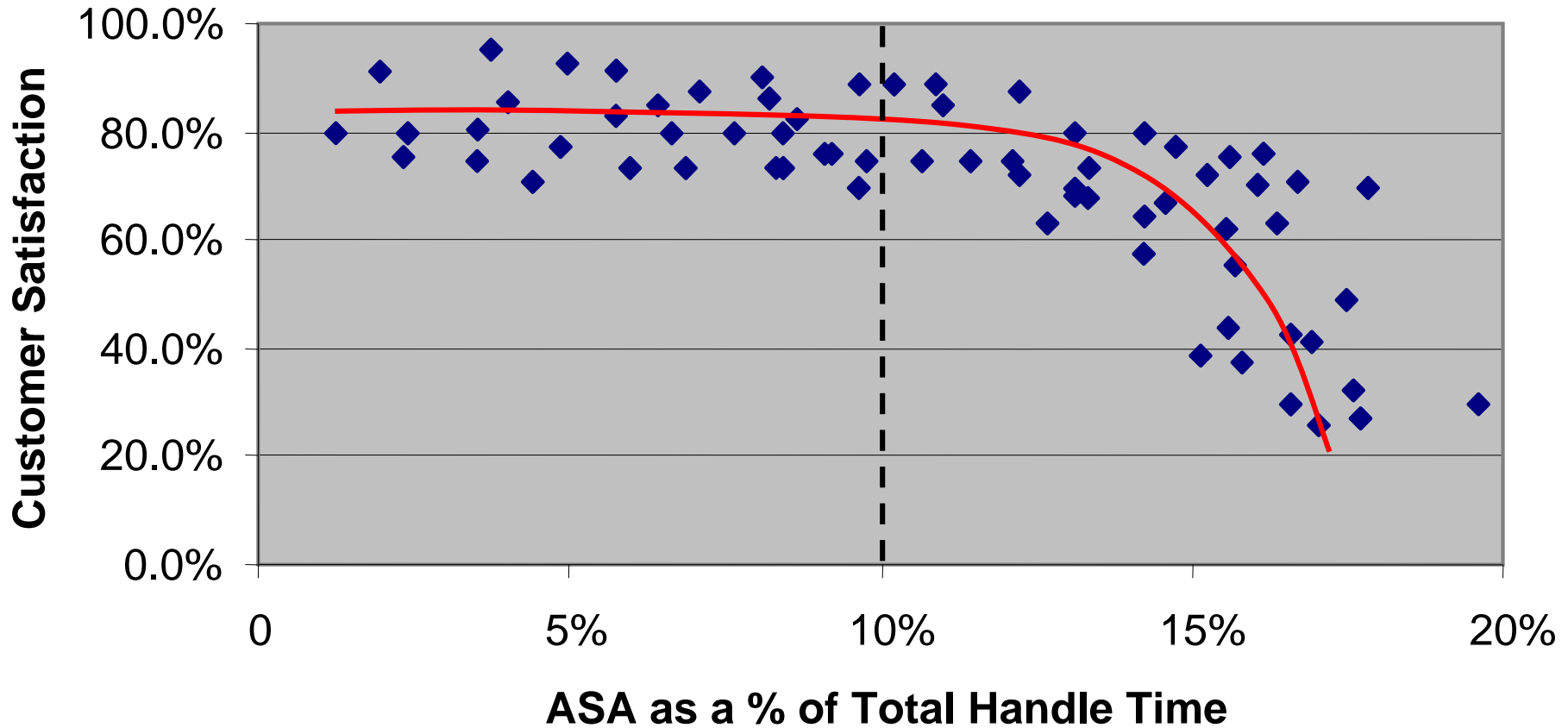
Call Abandonment Rate vs. Customer Sat

MetricNet
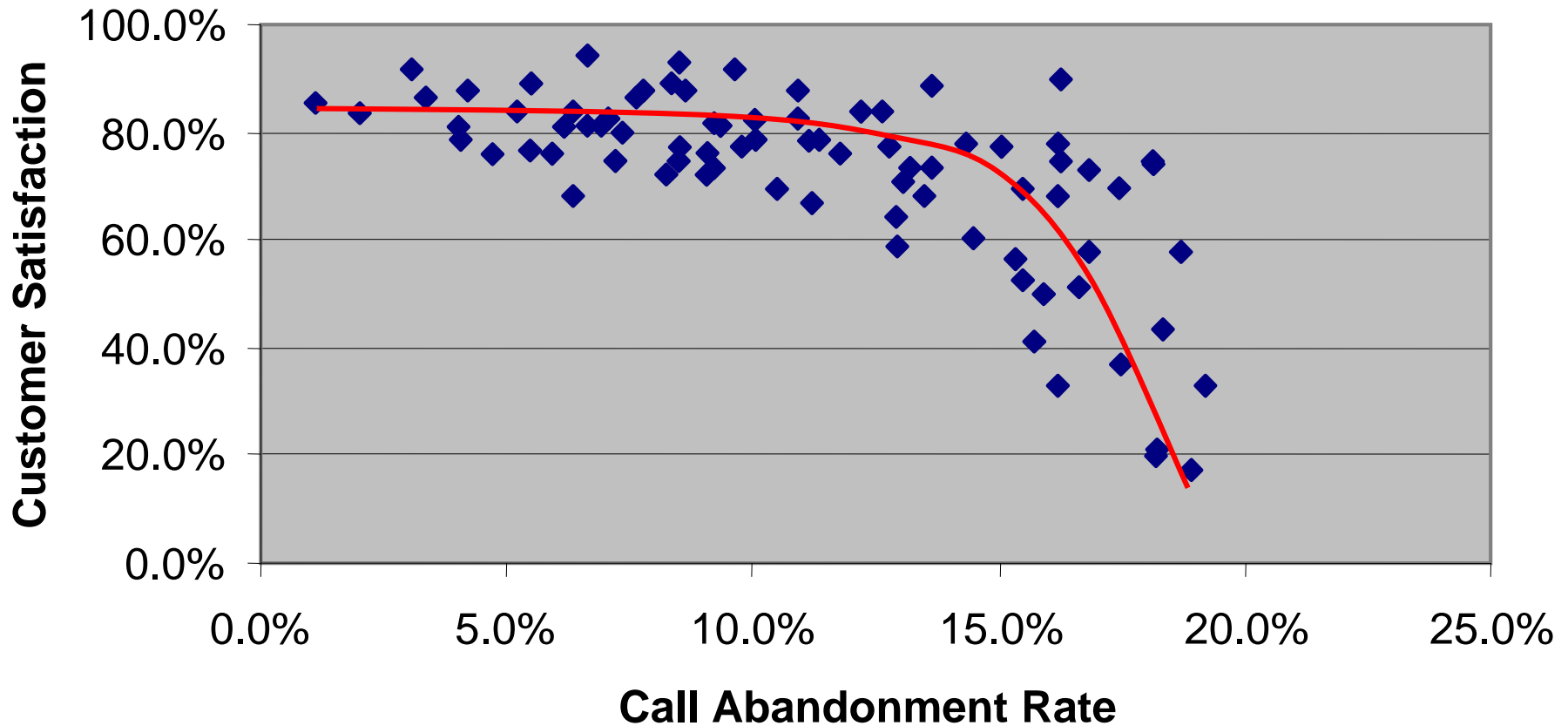
Cost and Quality: Where Does Your Service Desk Land?

Higher Quality

Lower Quality

Quality (Effectiveness)

Middle Quadrants
Effective *but not* Efficient

Top Quadrant
Efficient *and* Effective

n = 25

n = 12

n = 36

n = 24

Lower Quadrant

Middle Quadrants
Efficient *but not* Effective

Higher Cost

Lower Cost

Cost (Efficiency)

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39
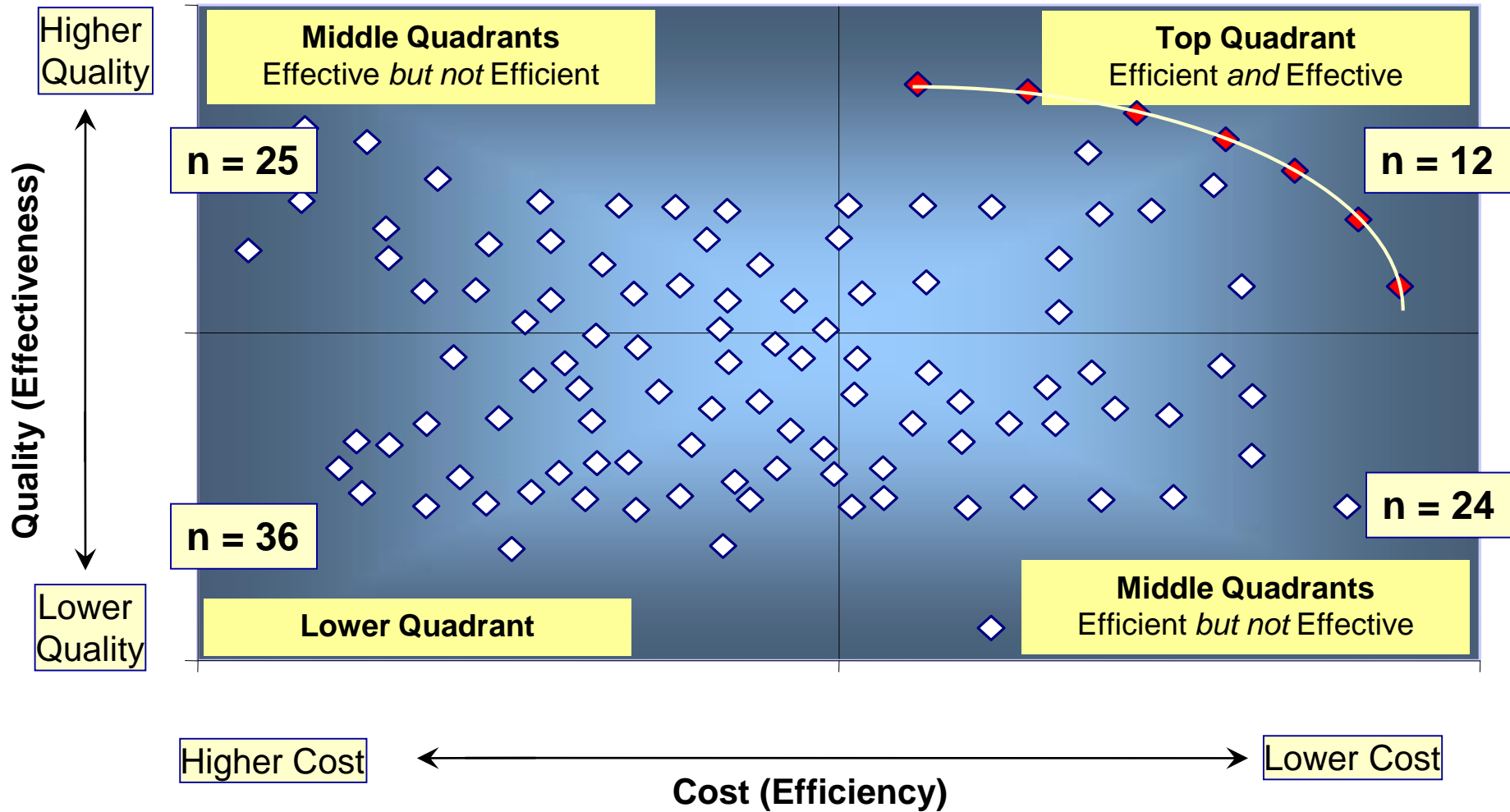
Some Final Thoughts

- Optimizing the Cost/Quality Tradeoff is a two-step process

  1. Benchmark Service and Support to maximize Efficiency and Effectiveness

  2. Fine Tune Service and Support performance to achieve the ideal operating point

- Benchmarking will move your Service and Support to the Best-in-Class performance curve

- From there, you can optimize cost and quality

  - ☐ Improve First Contact Resolution to improve Customer Satisfaction

    - Don't "buy" too much Quality!

  - ☐ Improve Technician Utilization to reduce Cost per Contact

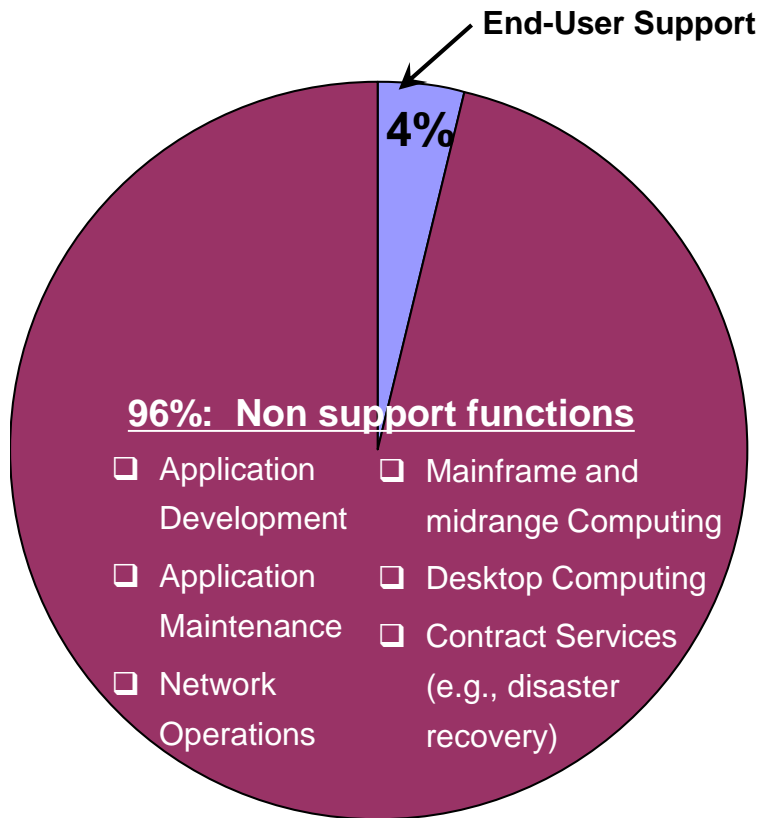   - Don't sacrifice quality for the sake of reducing costs!

Doing the Right Things!

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Performance Benchmarking

The Paradox of IT Support

End-User Support

4%

96%: Non support functions

- ❑ Application Development
- ❑ Application Maintenance
- ❑ Network Operations
- ❑ Mainframe and midrange Computing
- ❑ Desktop Computing
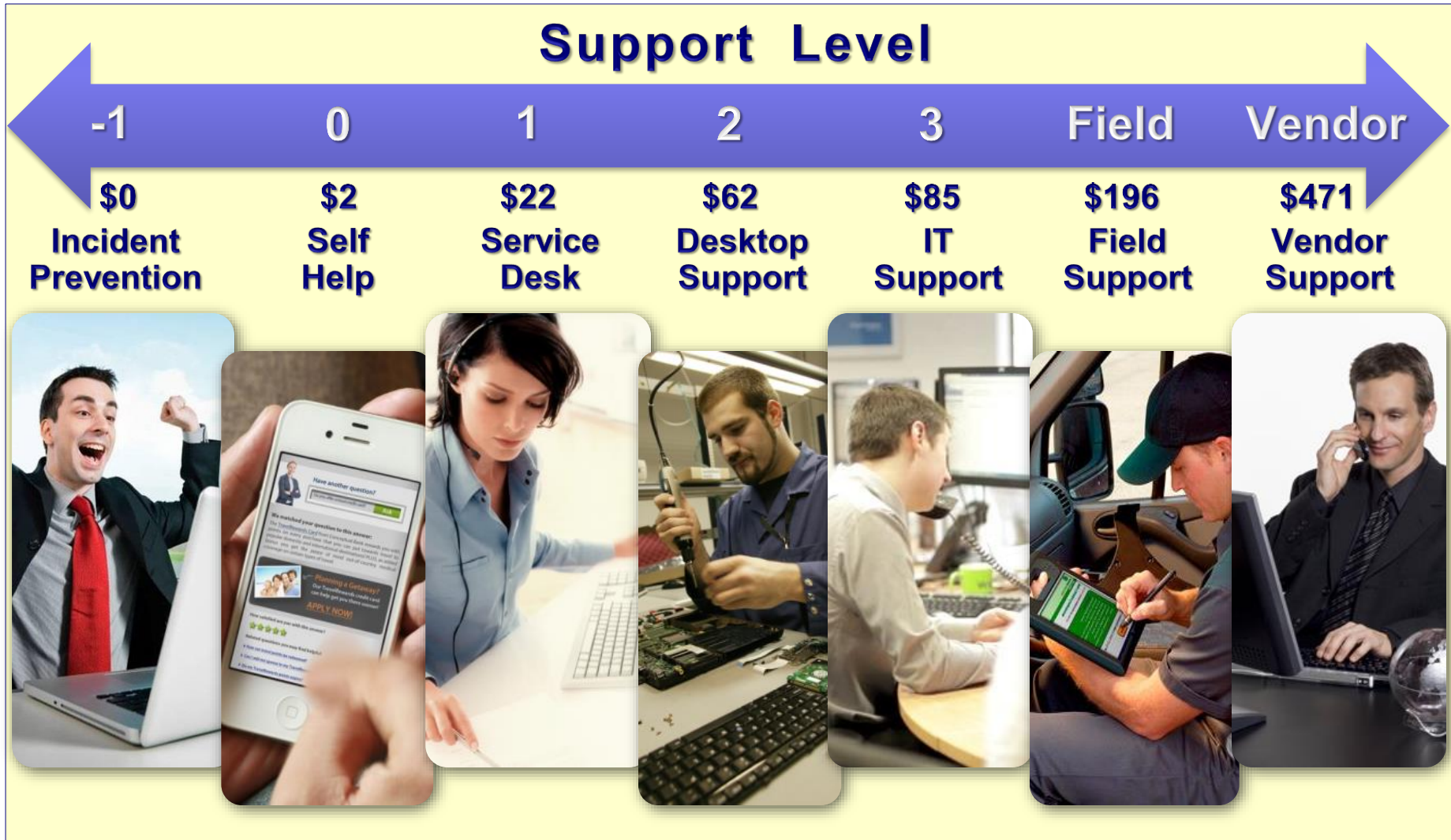- ❑ Contract Services (e.g., disaster recovery)

Corporate IT Spending Breakdown

- ❑ Less than 5% of all IT spending is allocated to end-user support
  - ▪ Service desk, desktop support, field support
- ❑ This leads many to erroneously assume that there is little upside opportunity in IT support
- ❑ The result is that most support organizations are managed with the goal of minimizing costs
- ❑ But the most effective support strategies focus on maximizing value

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Support Has an Opportunity to Minimize TCO

Support Level

-1	0	1	2	3	Field	Vendor
$0	**$2**	**$22**	**$62**	**$85**	**$196**	**$471**
Incident Prevention	**Self Help**	**Service Desk**	**Desktop Support**	**IT Support**	**Field Support**	**Vendor Support**

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Contact Deflection into Lower Cost Channels

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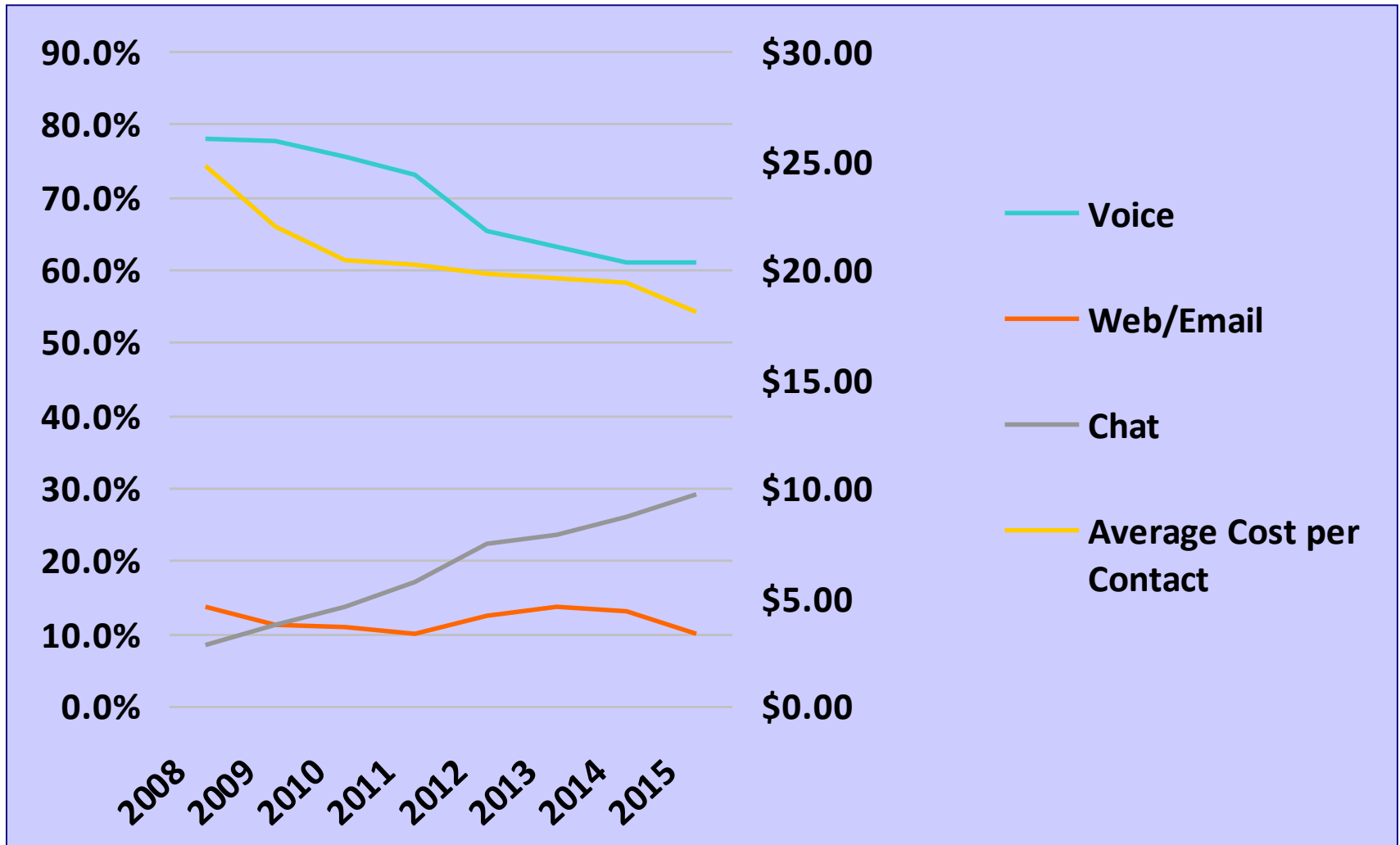
Quality of Support Drives End-User Productivity
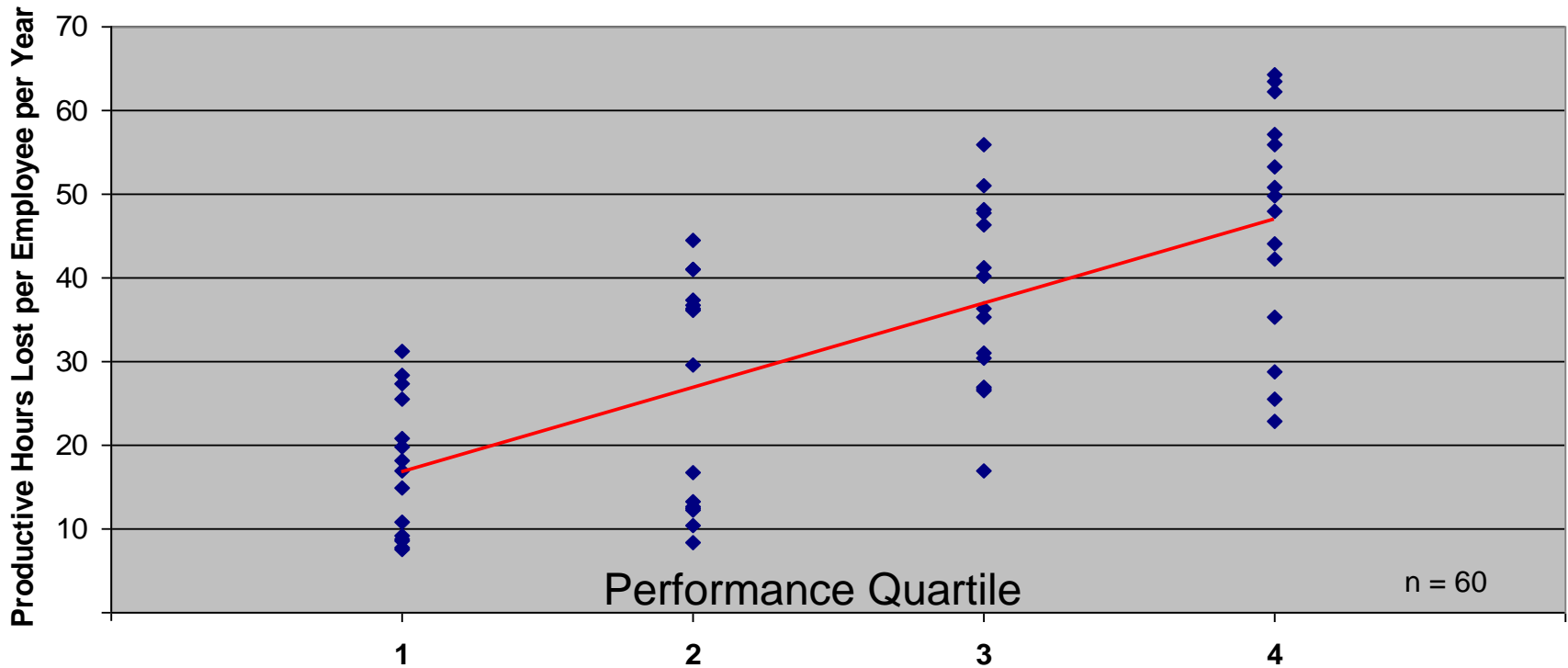
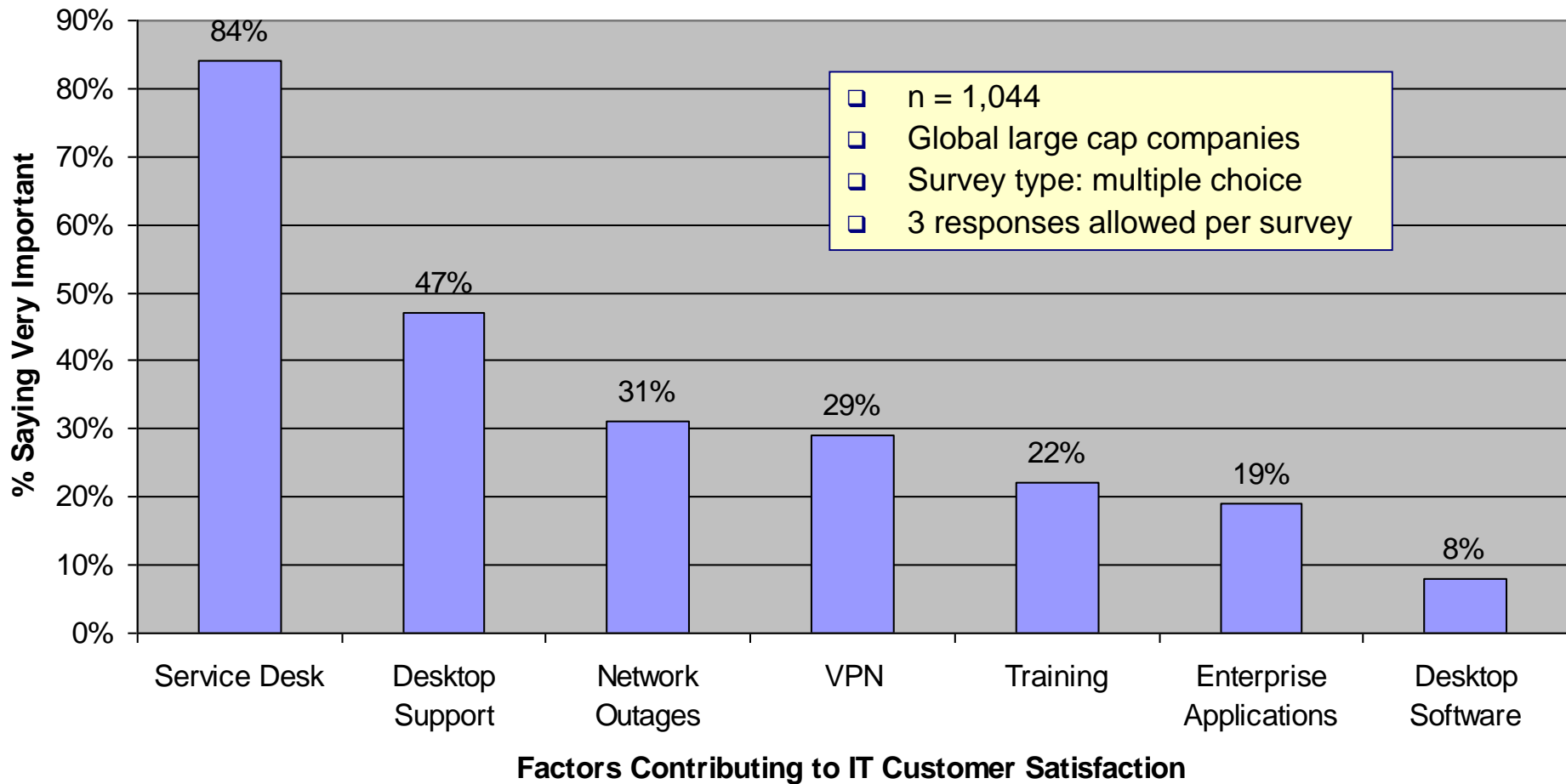| Support Function	Key Performance Indicator	Performance Quartile			
		1 (top)	2	3	4 (bottom)
Service Desk	Customer Satisfaction	93.5%	84.5%	76.1%	69.3%
	First Contact Resolution Rate	90.1%	83.0%	72.7%	66.4%
	Mean Time to Resolve (hours)	0.8	1.2	3.6	5.0
Desktop Support	Customer Satisfaction	94.4%	89.2%	79.0%	71.7%
	First Contact Resolution Rate	89.3%	85.6%	80.9%	74.5%
	Mean Time to Resolve (hours)	2.9	4.8	9.4	12.3
Average Productive Hours Lost per Employee per Year		17.1	25.9	37.4	46.9

"Delight customers?! Why can't we just satisfy them like we used to?"

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Support is a Key Driver of Customer Satisfaction for *All* of IT

Factors Contributing to IT Customer Satisfaction

Bar chart, "% Saying Very Important" (y-axis, 0%–90%):
- Service Desk: 84%
- Desktop Support: 47%
- Network Outages: 31%
- VPN: 29%
- Training: 22%
- Enterprise Applications: 19%
- Desktop Software: 8%

Callout box:
- n = 1,044
- Global large cap companies
- Survey type: multiple choice
- 3 responses allowed per survey

- 84% cited the service desk as a very important factor in their overall satisfaction with corporate IT
- 47% cited desktop support as a very important factor in their overall satisfaction with corporate IT

Questions?

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Performance Benchmarking

Thank You!

MetricNet™
Performance Benchmarking

About MetricNet

Your Benchmarking Partner

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Performance Benchmarking

Your Speaker: Jeff Rumburg

- Co Founder and Managing Partner, MetricNet, LLC

- Winner of the 2014 Ron Muns Lifetime Achievement Award

- Former CEO, The Verity Group

- Former Vice President, Gartner

- Founder of the Service Desk Benchmarking Consortium

- Author of *A Hands-On Guide to Competitive Benchmarking*

- Harvard MBA, Stanford MS

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Benchmarking is MetricNet's Core Business

Information Technology

- Service Desk
- Desktop Support
- Field Support

Call Centers

- Customer Service
- Technical Support
- Telemarketing/Telesales
- Collections

Telecom

- Price Benchmarking

Satisfaction

- Customer Satisfaction
- Employee Satisfaction

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27 Years of IT Service and Support Benchmarking Data

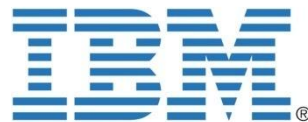Global Database

More than 3,700 IT Service and Support Benchmarks

70+ Key Performance Indicators

More than 120 Industry Best Practices

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Meet a Sampling of Our Clients

MetricNet Conducts benchmarking for IT Service and Support organizations worldwide, and across virtually every industry sector.

Contact MetricNet…

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Thank You!

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