



# Optimizing the Tradeoff: ***Cost vs. Quality in IT Support***

Jeff Rumburg  
Managing Partner  
MetricNet, LLC

# 27 Years of IT Service and Support Benchmarking Data



Global Database

More than 3,000 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: Cost vs. Quality in IT Support



# Competing Objectives: Cost vs. Quality

**Lower Cost**



**Higher Quality**







YOUR FIRST-CLASS PASS TO SERVICE MANAGEMENT

# Doing Things Right!

# 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 Contact

## Quality

- Customer Satisfaction

## Productivity

- Agent Utilization

## Call Handling

- First Contact Resolution Rate

## TCO

- First Level Resolution Rate

## Agent

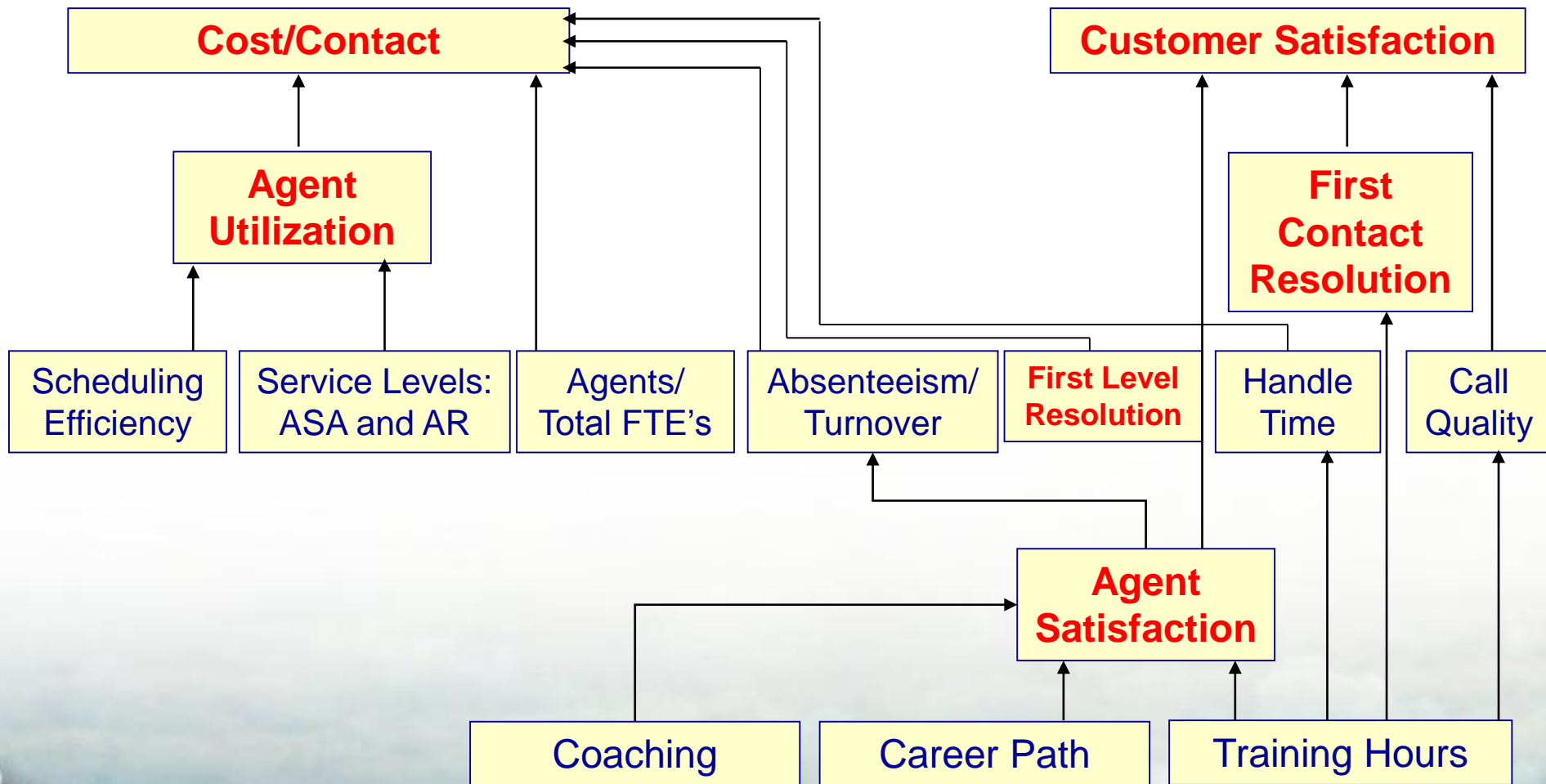
- Agent Job Satisfaction

## Aggregate

- Balanced Scorecard

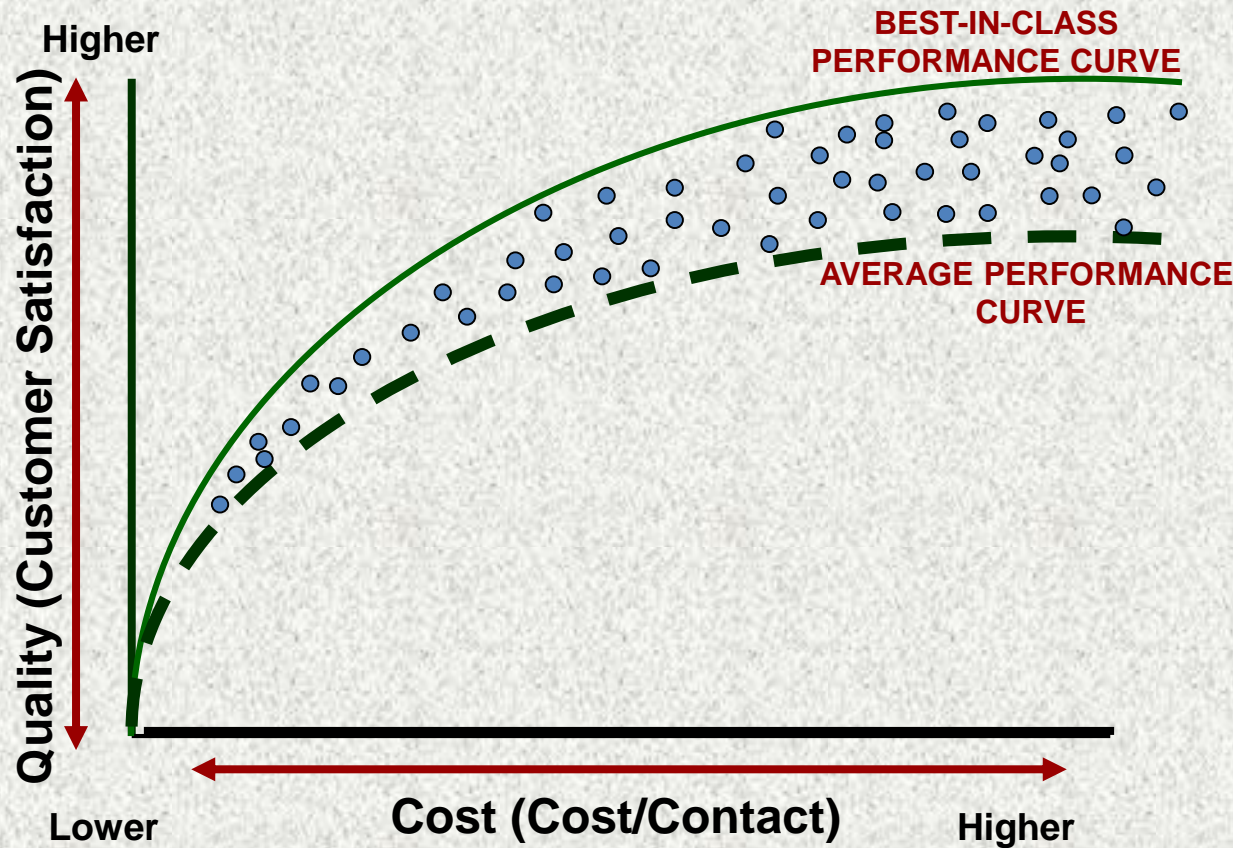
Read MetricNet's whitepaper on **Service Desk Performance Metrics**. Go to [www.metricnet.com](http://www.metricnet.com) to get your copy!

# A Summary of the Major KPI Correlations

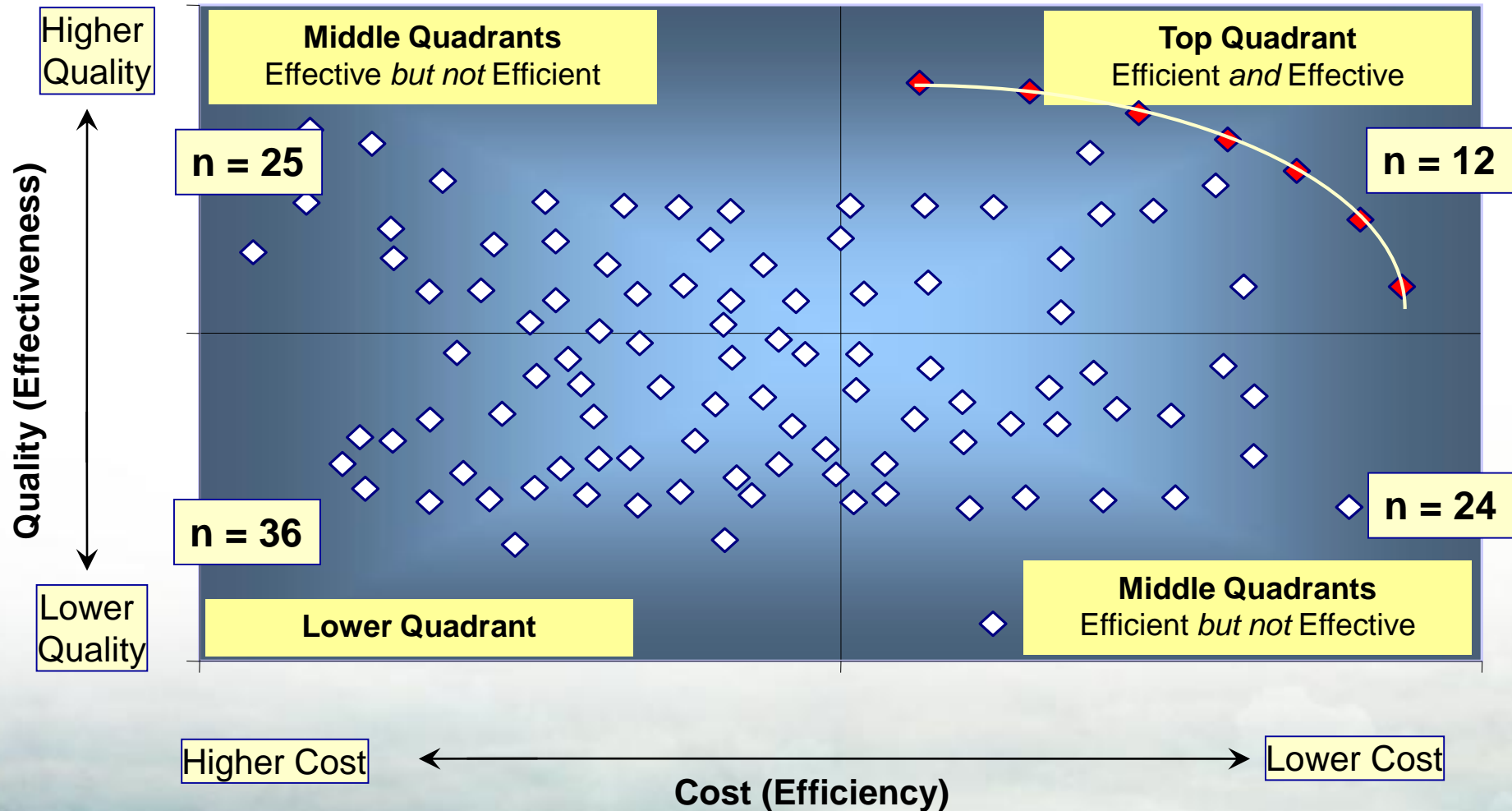




# The Cost vs. Quality Tradeoff



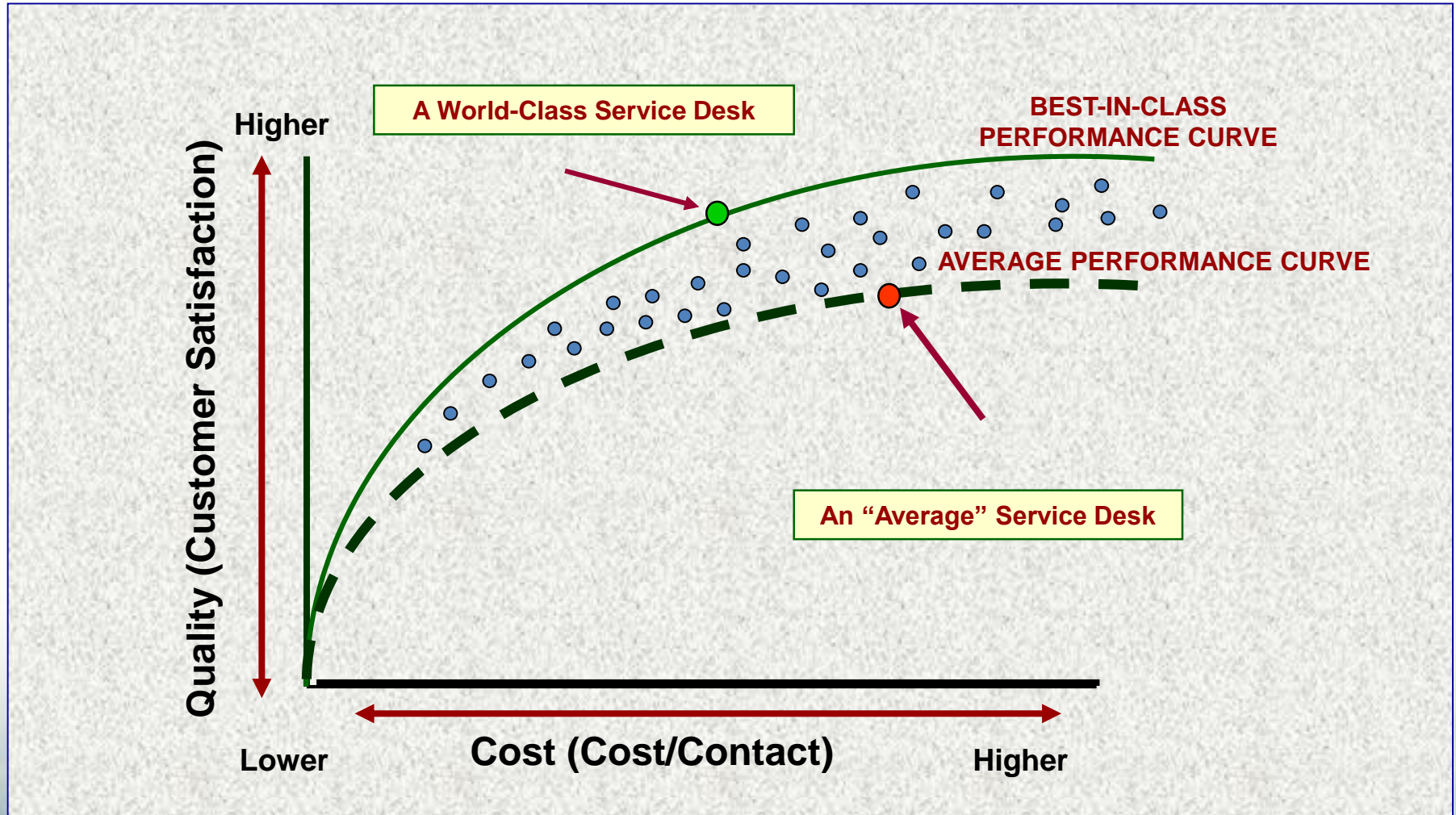
# Another View: Cost vs. Quality



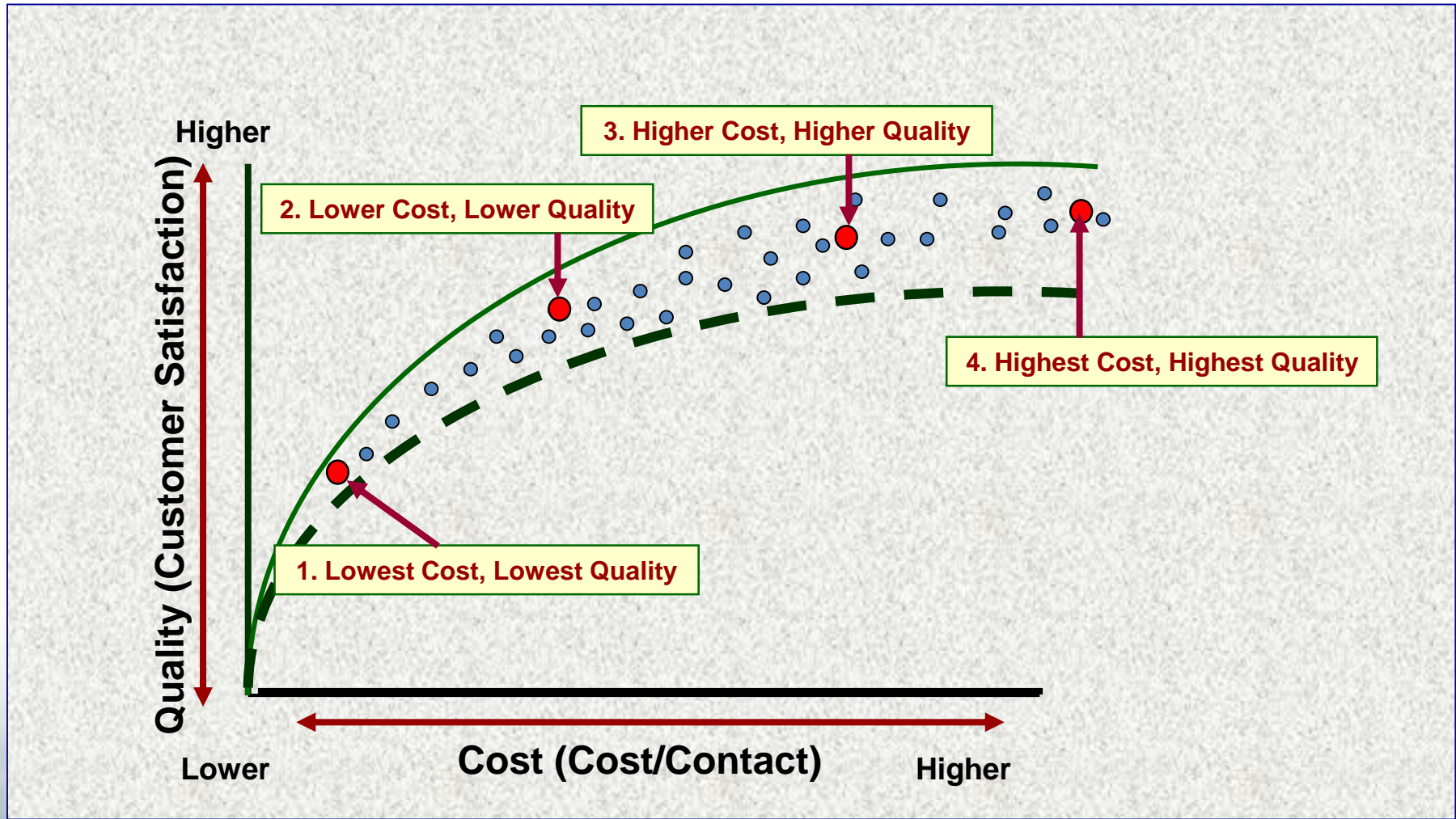
# Characteristics of a World-Class Service Desk

- Service desk consistently exceeds customer expectations
  - Result is high levels of customer satisfaction
  - Call quality is consistently high
- Costs are managed at or below industry average levels
  - Cost per contact below average
  - Minimizes Total Cost of Ownership (TCO)
- Service desk follows industry best practices
  - Industry best practices are defined and documented
  - Service desk follows industry best practices
- Every transaction adds value
  - A positive customer experience
  - Drives a positive view of IT overall

# The World-Class Service Desk Defined



# Four Cost/Quality Scenarios

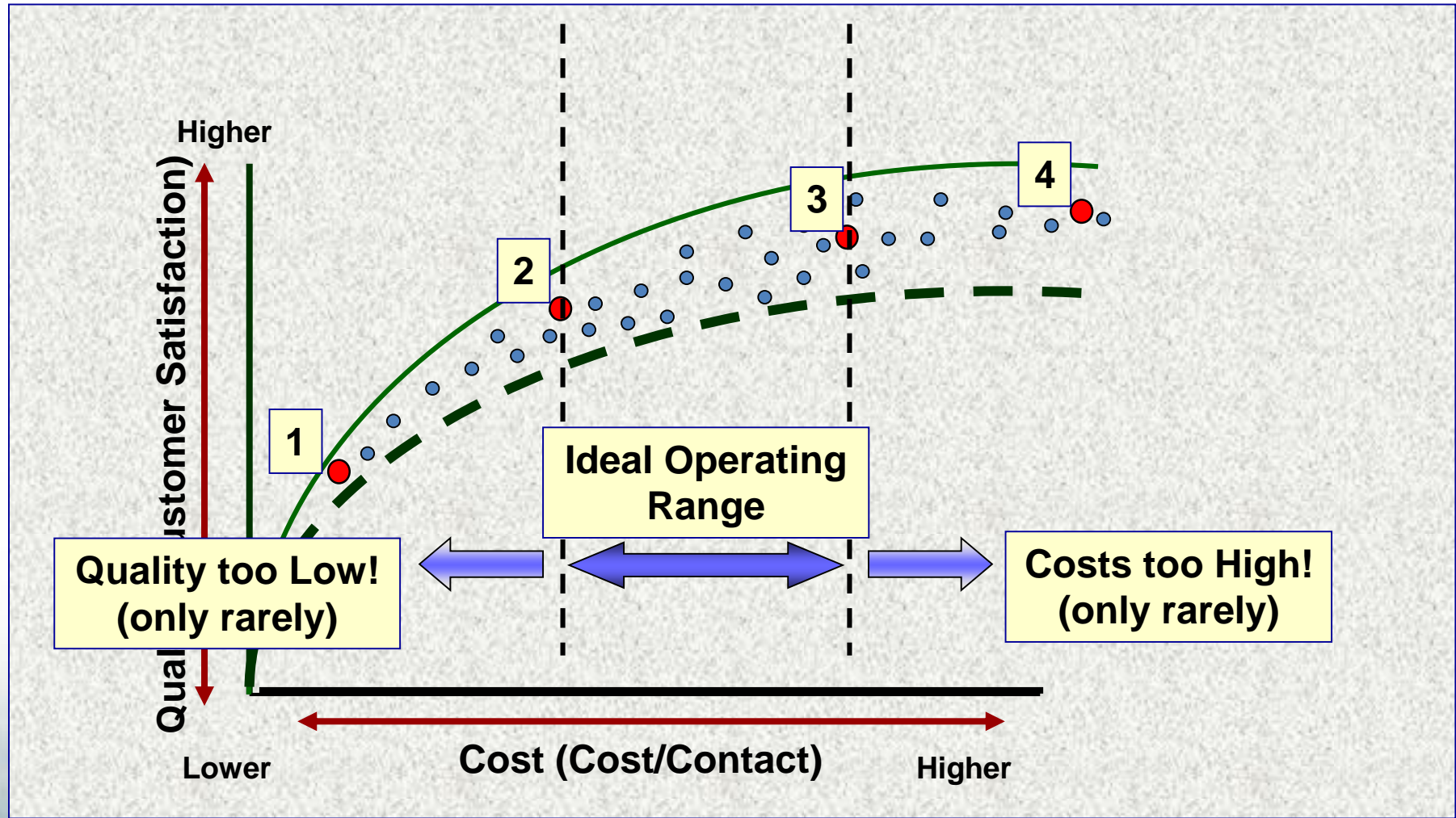




# Key Performance Indicators: Four Scenarios

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/Contact	\$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%

# The Ideal Operating Range



# KPI's in The Ideal Operating Range

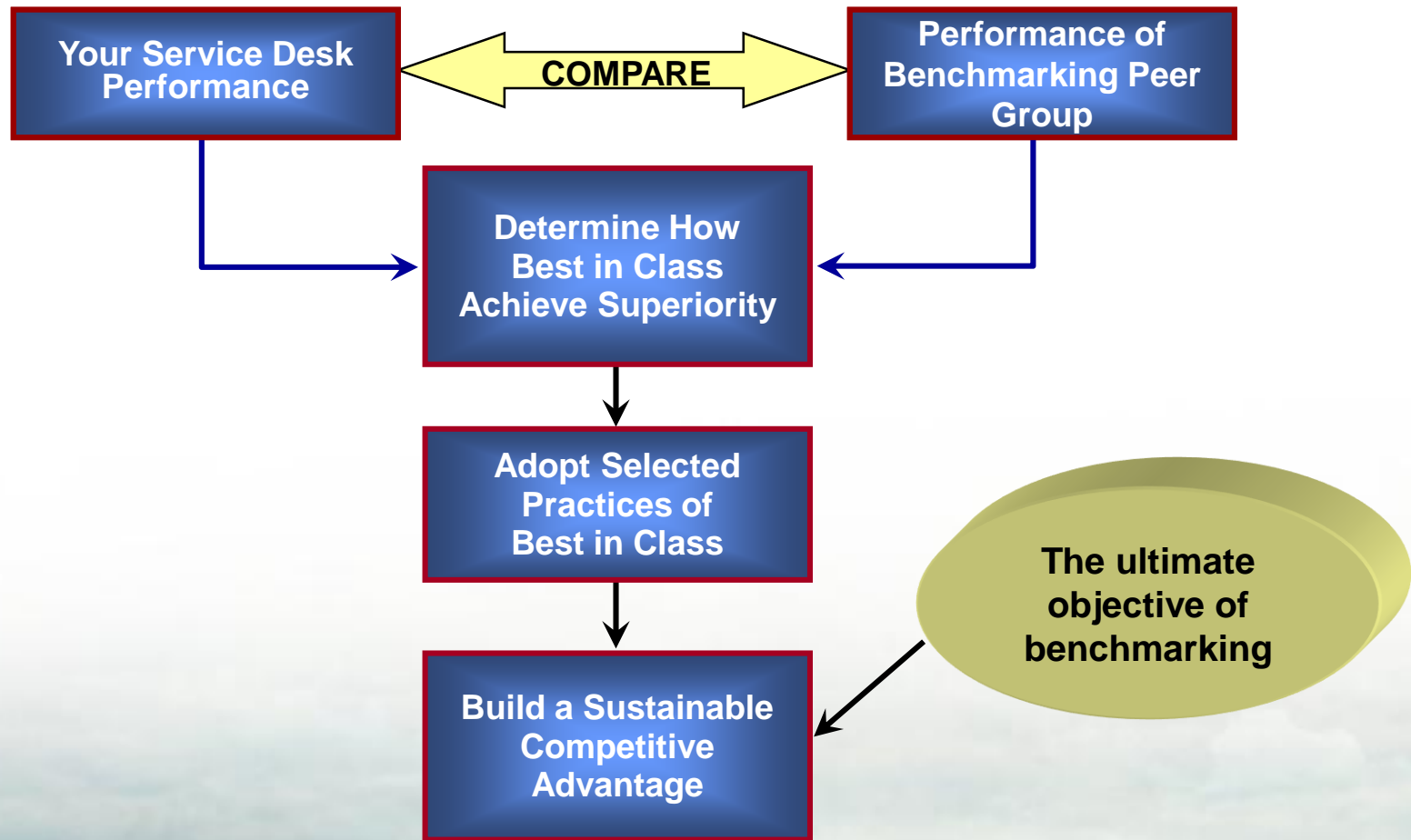
Key Performance Indicators	Performance in the Ideal Operating Range	
	Scenario 2 (Lower Cost/ Lower Quality)	Scenario 3 (Higher Cost/ Higher Quality)
Cost/Contact	\$12	\$18
Customer Satisfaction	82%	90%
Agent Utilization	60%	55%
First Contact Resolution	72%	78%
Average Speed of Answer	60 sec	30 sec
First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

# Optimizing the Cost/Quality Tradeoff

Getting there is a Two-Step process

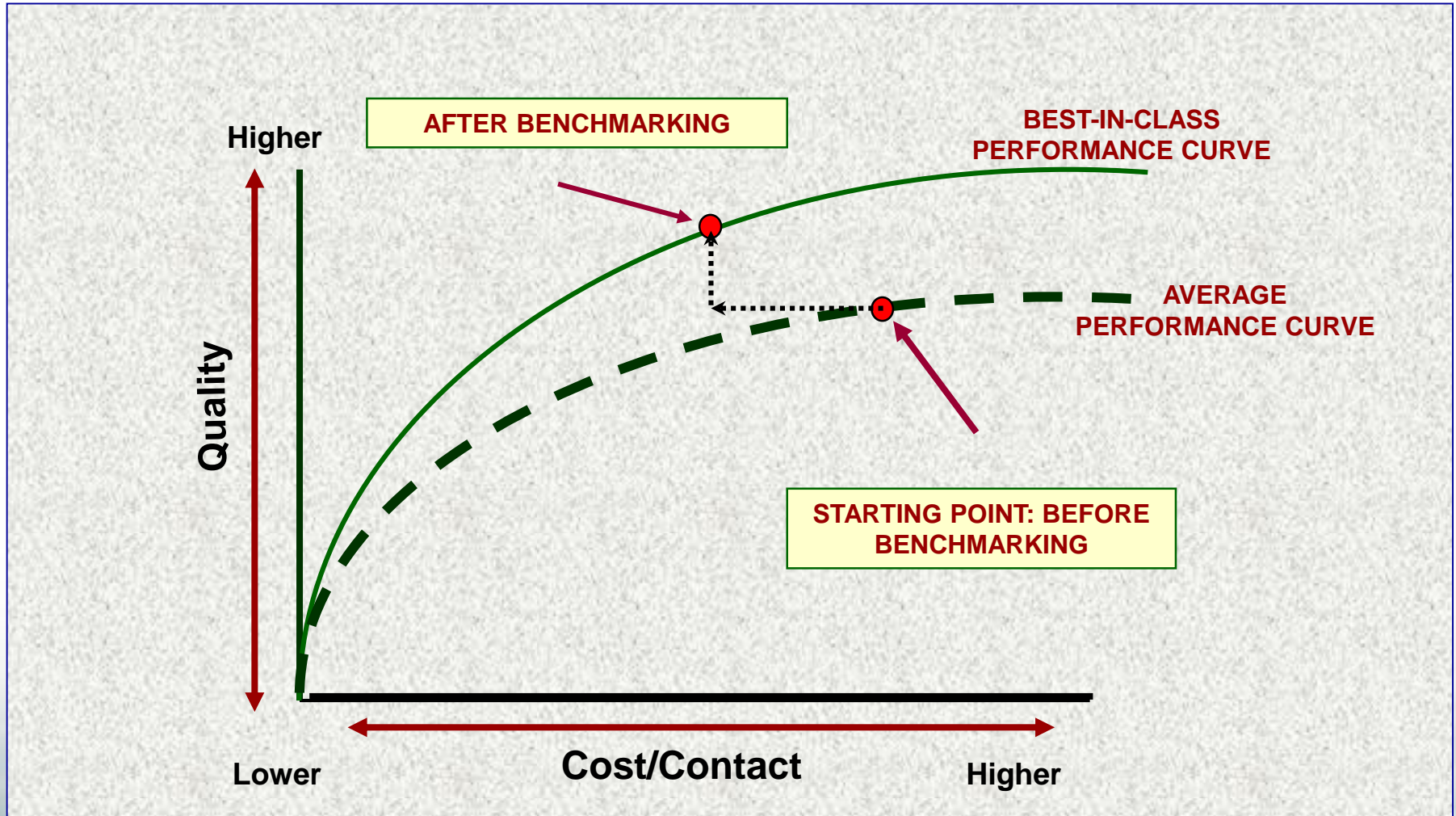
1. Benchmark your Service Desk to maximize Efficiency and Effectiveness
2. Fine Tune your Service Desk performance to achieve the ideal operating point

# The Benchmarking Methodology

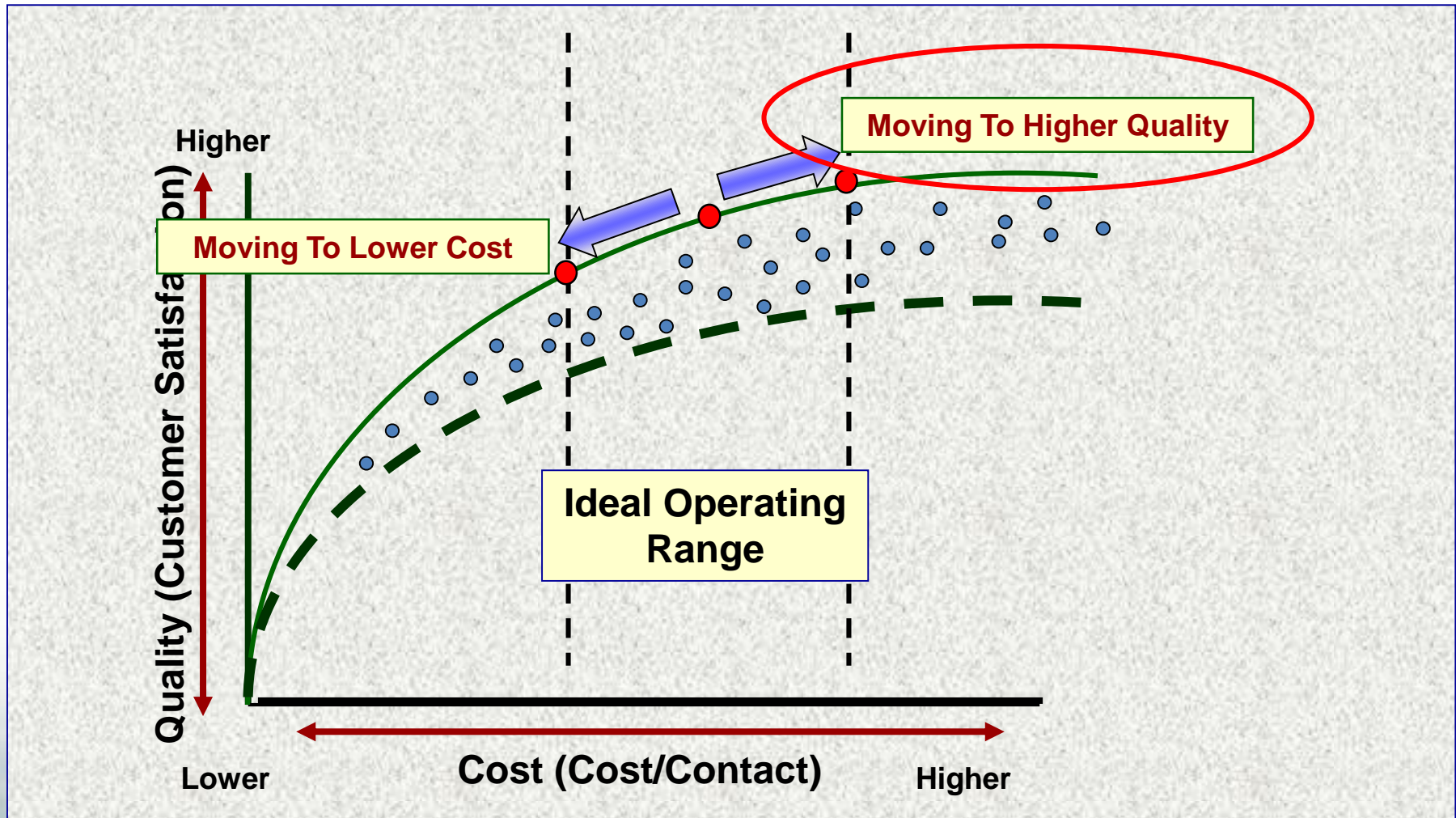




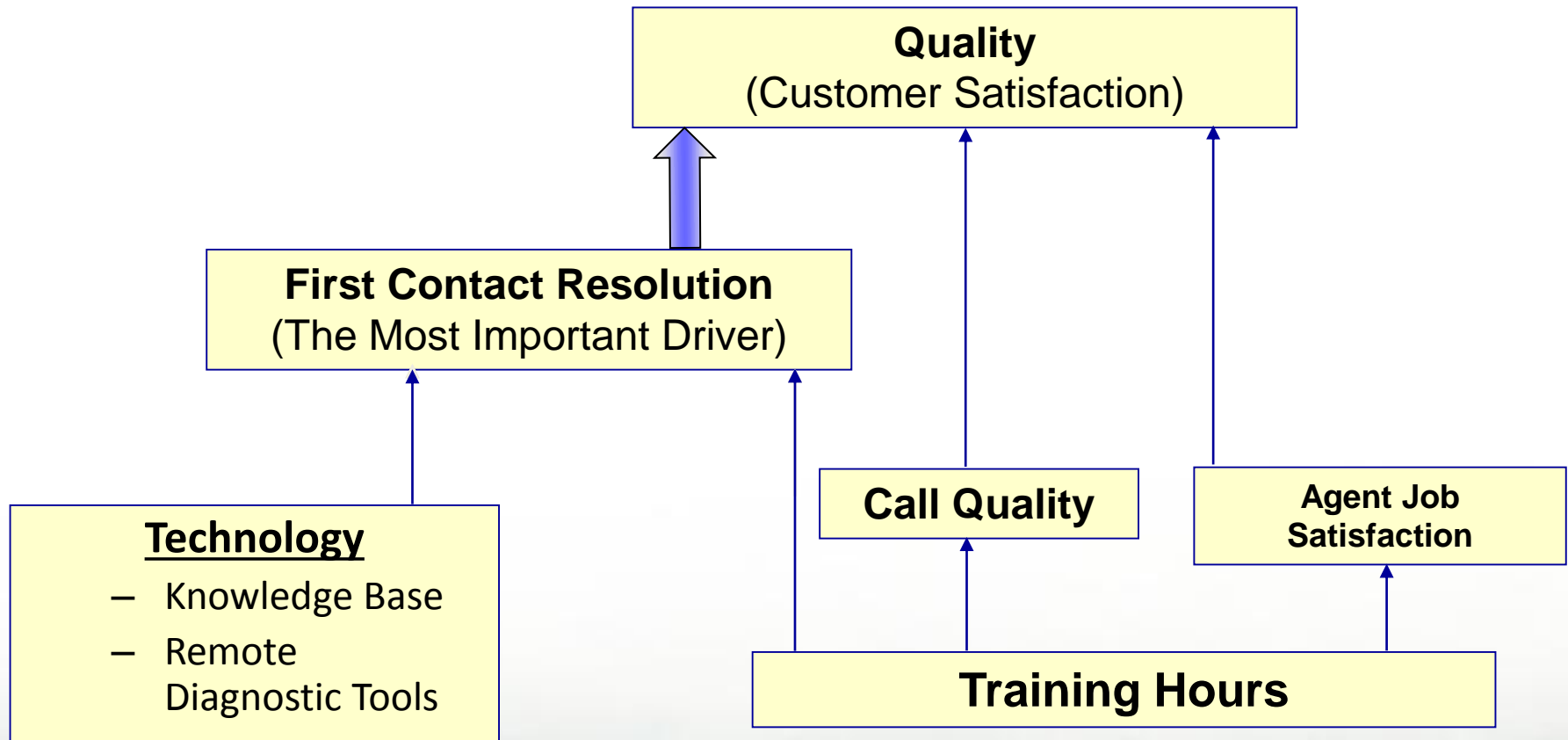
# Step 1: Benchmarking



# Step 2: Fine Tuning



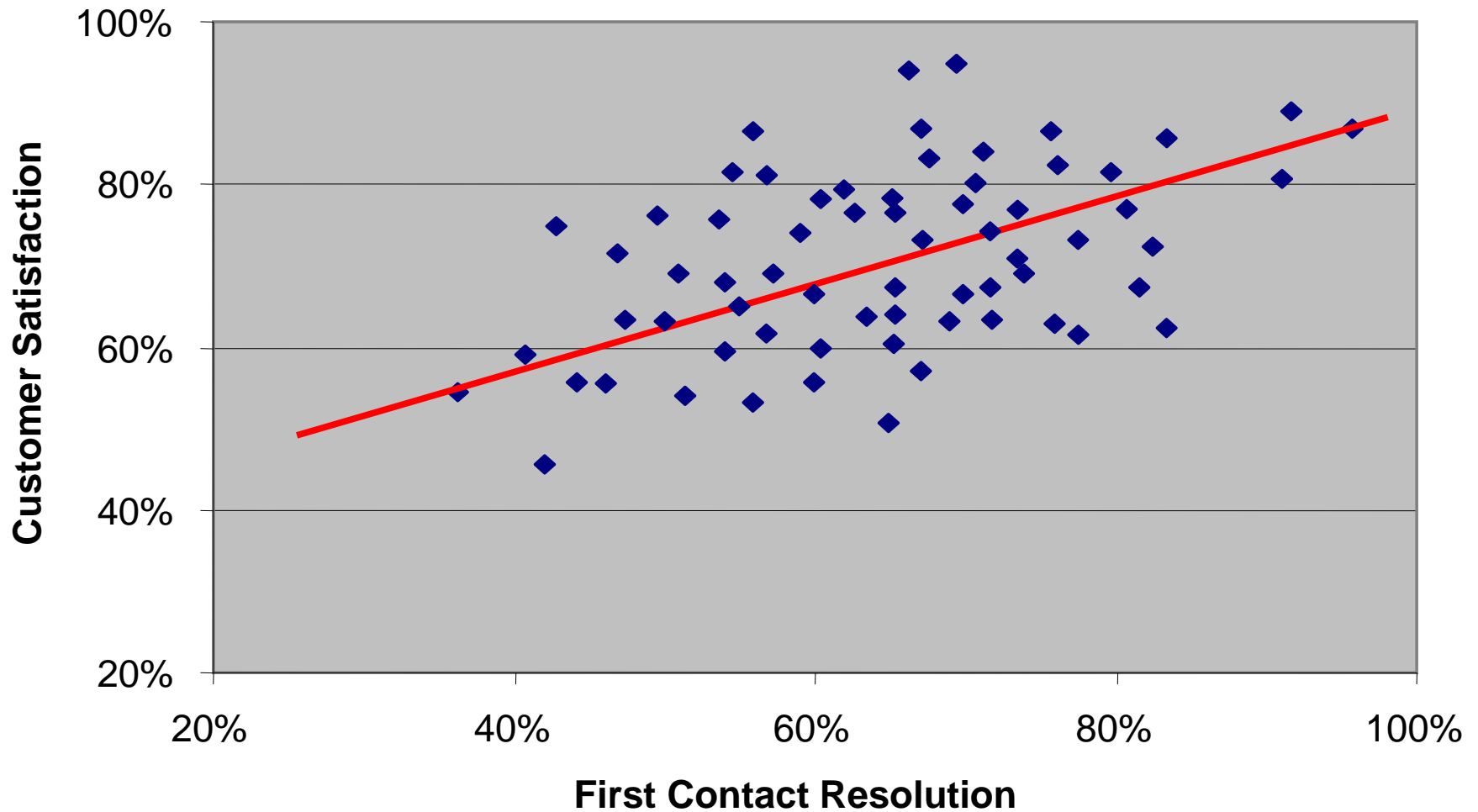
# Moving to Higher Quality: Key Drivers



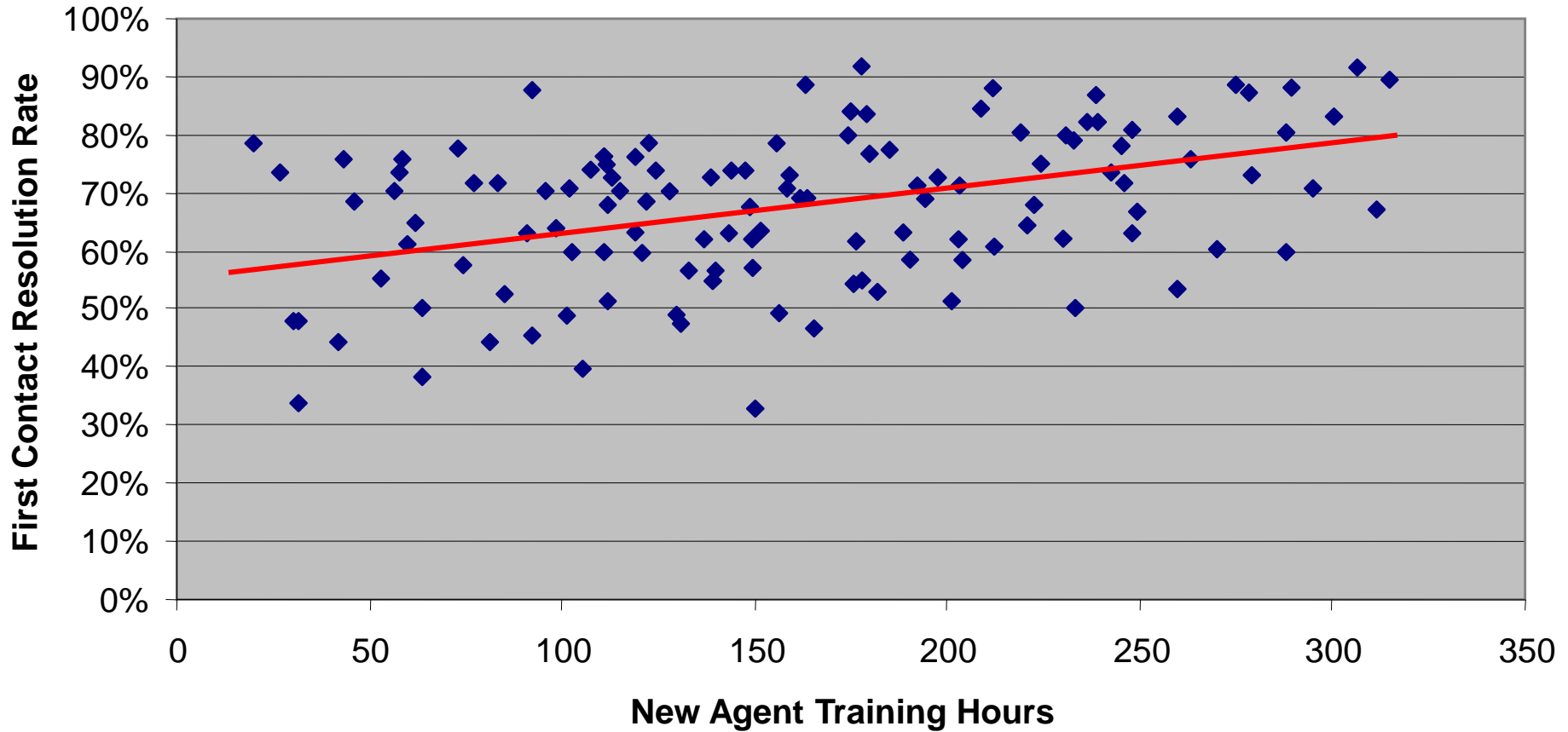
## The Bottom Line

Every 1% Increase in First Contact Resolution Improves Customer Satisfaction by Approximately 1%!

# First Contact Resolution Drives Customer Satisfaction

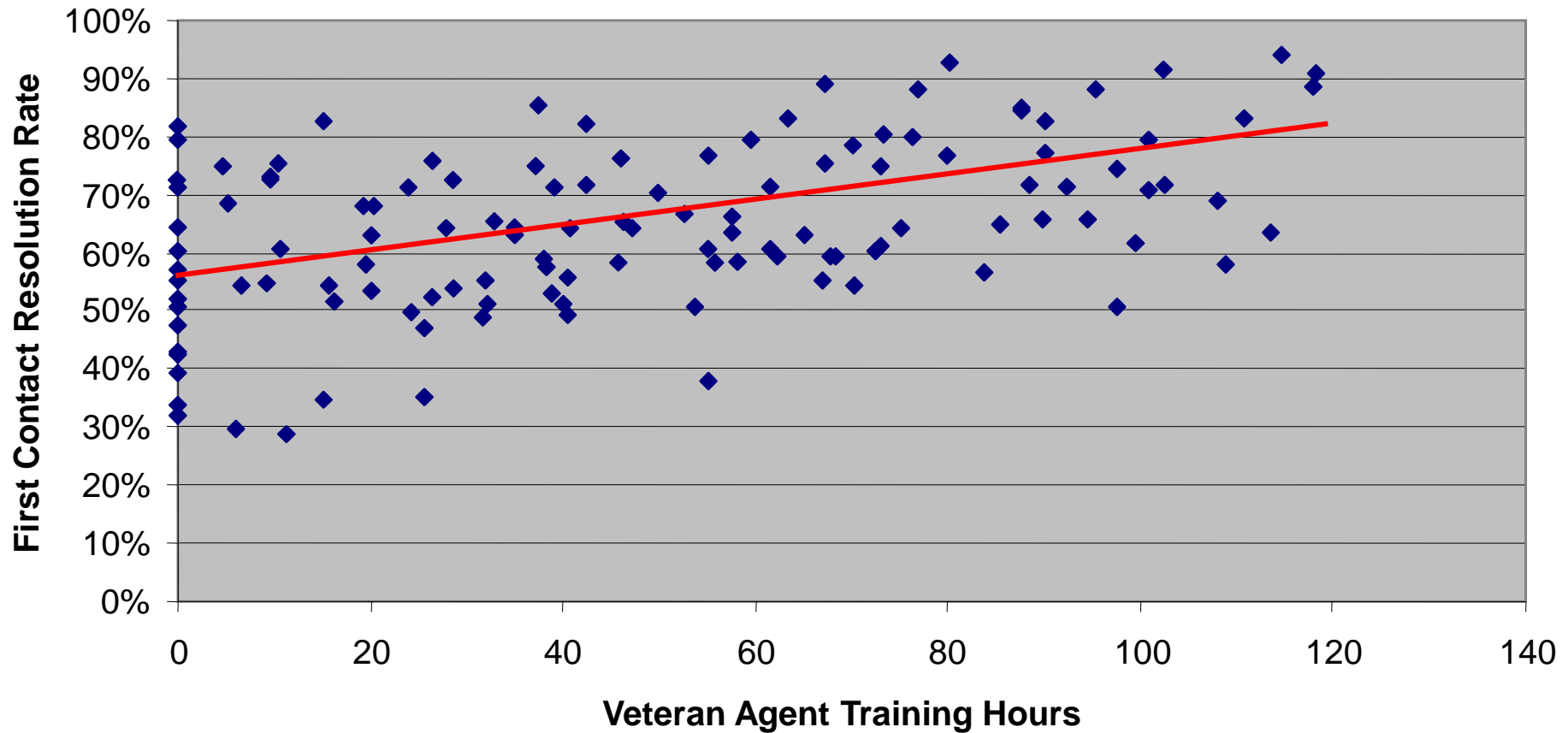


# New Agent Training Hours vs. First Contact Resolution

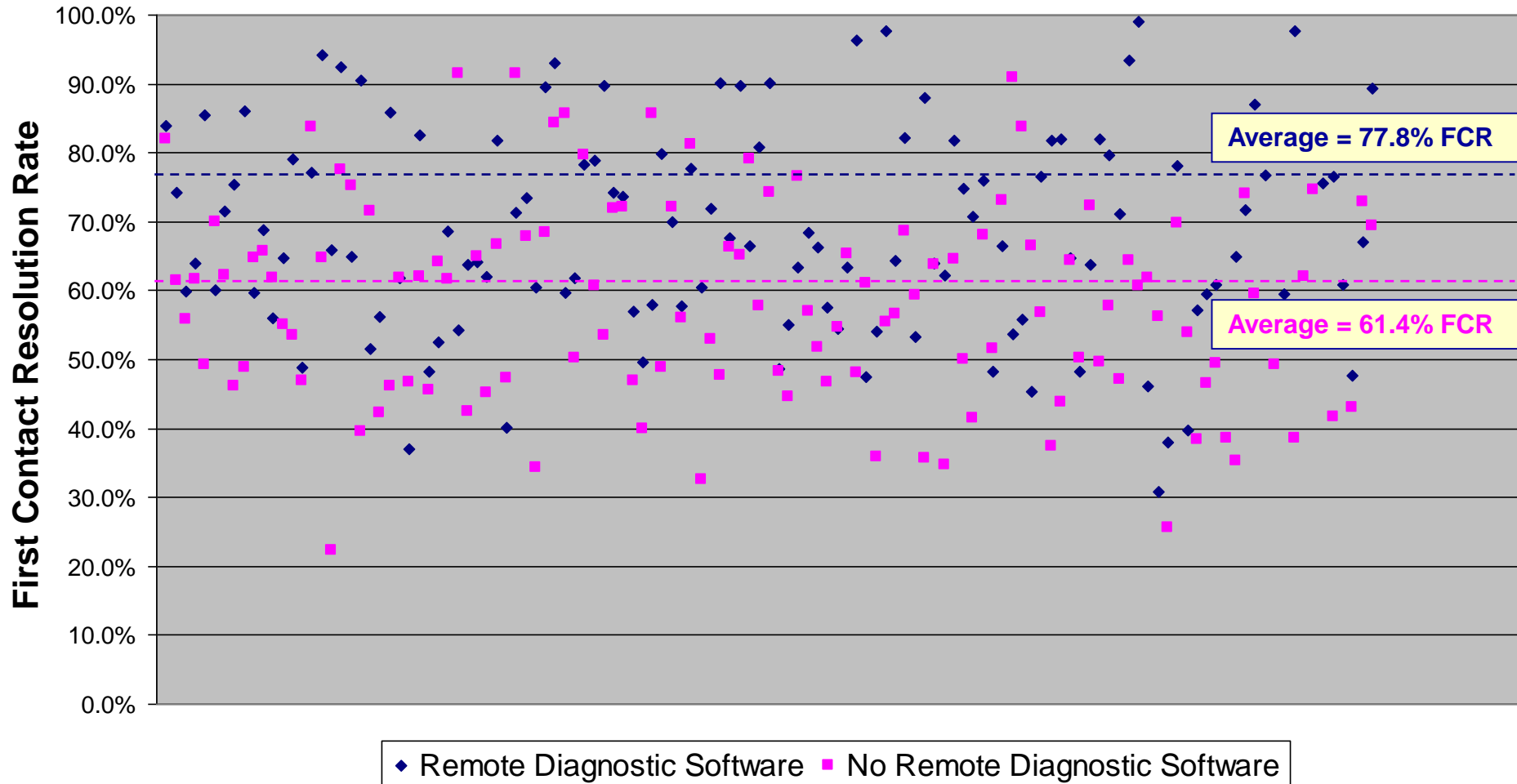




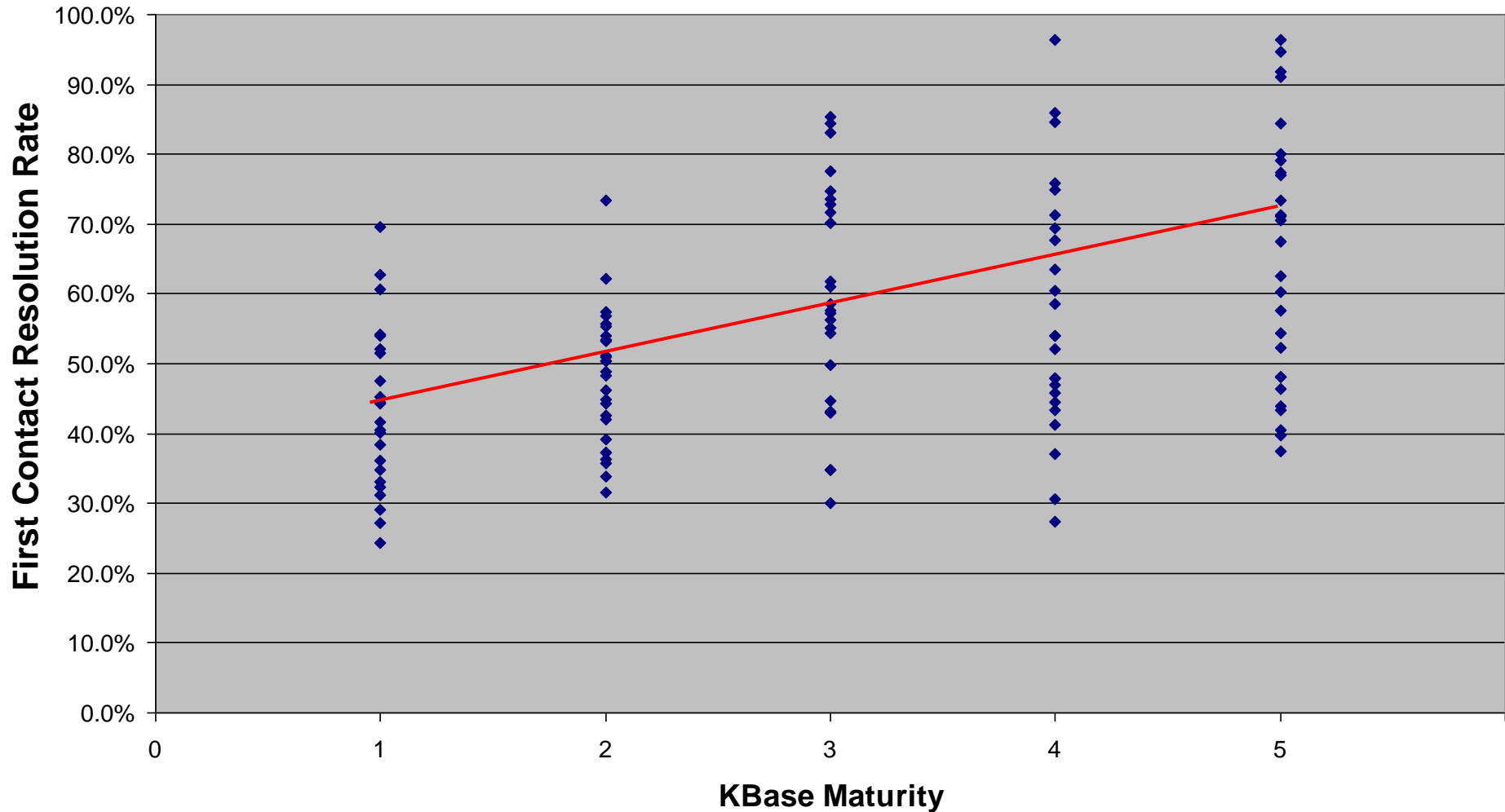
# Veteran Agent Training vs. First Contact Resolution



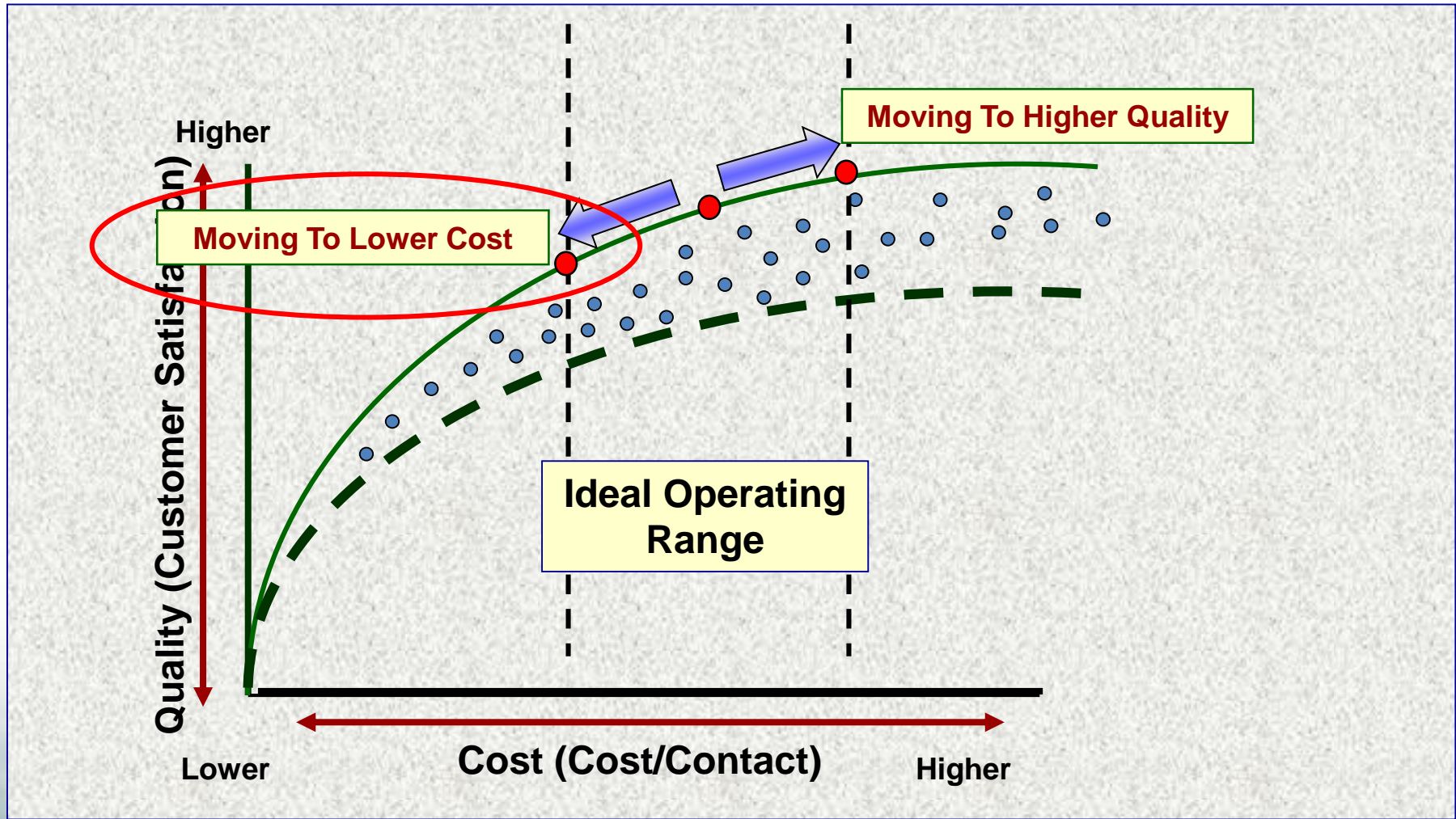
# The Effect of Remote Diagnostic Tools on FCR



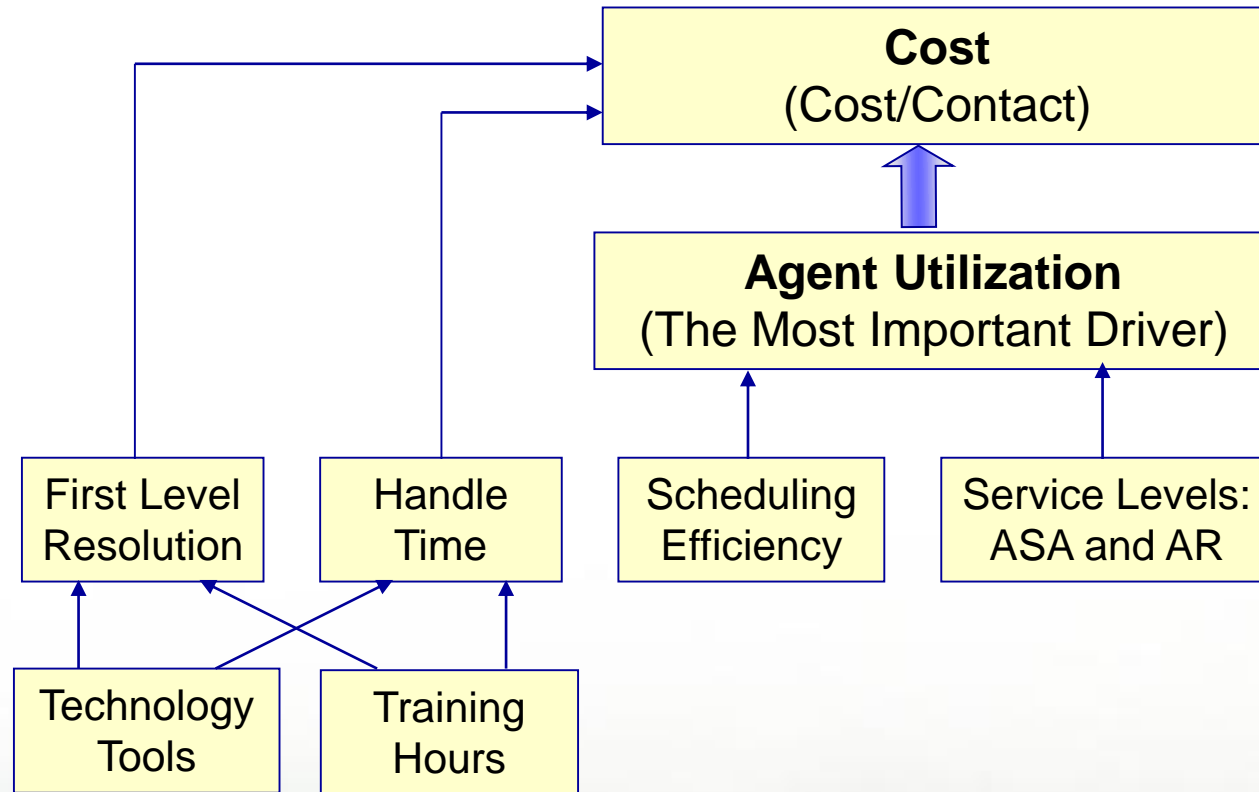
# The Effect of a Mature Knowledge Base on FCR



# Step 2: Fine Tuning



# Moving to Lower Cost: Key Drivers

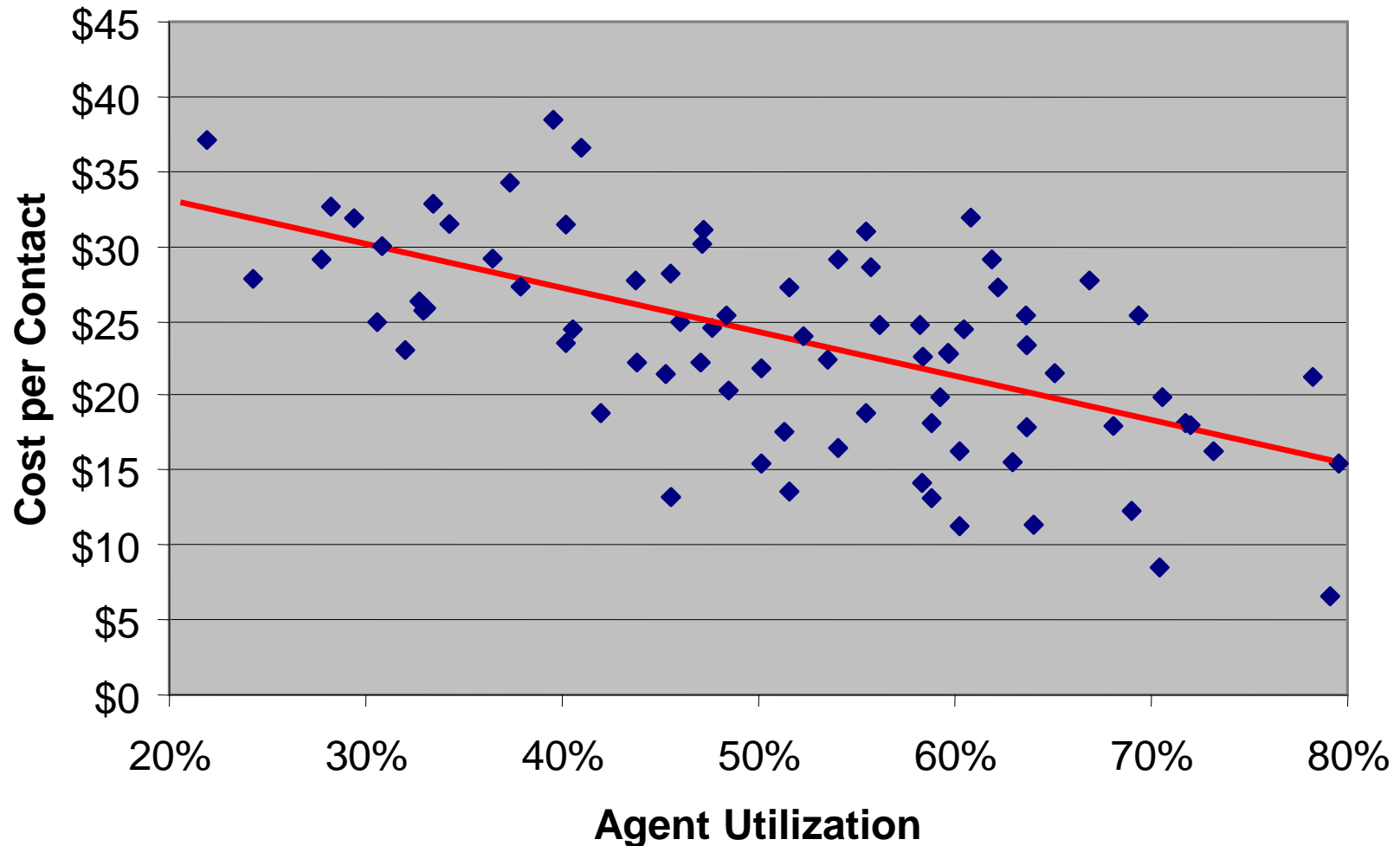


## The Bottom Line

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



# Agent Utilization Drives Cost per Contact



# Agent Utilization Defined

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

- ❑ 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

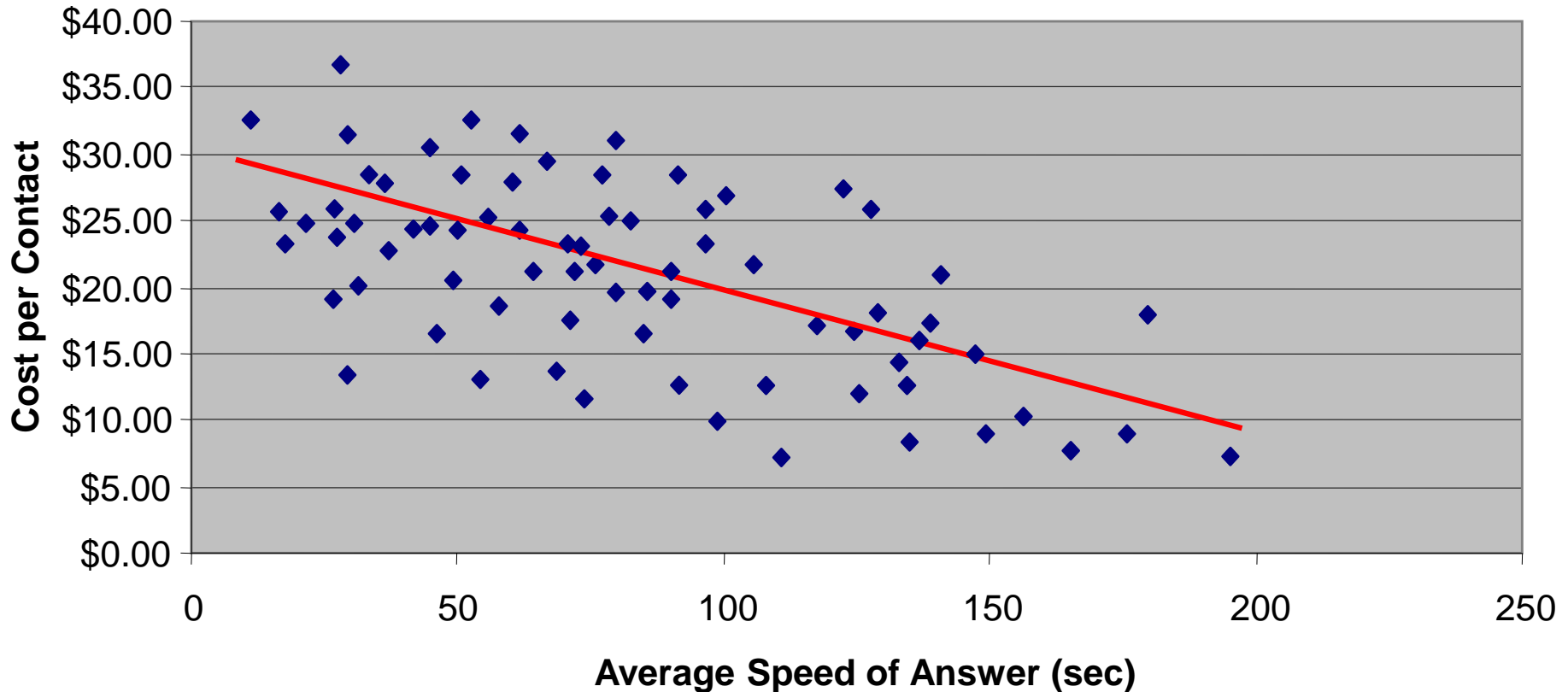
$$\text{Agent Utilization} = \frac{((\text{Average number of inbound Contacts handled by an Agent in a month}) \times (\text{Average inbound handle time in minutes}) + (\text{Average number of outbound Contacts handled by an Agent in a month}) \times (\text{Average outbound handle time in minutes}))}{(\text{Average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

$$\text{Agent Utilization} = \frac{((375 \text{ Inbound Contacts per Month}) \times (10 \text{ minutes}) + (225 \text{ Outbound Contacts per Month}) \times (5 \text{ minutes}))}{(21.5 \text{ working days per month}) \times (7.5 \text{ work hours per day}) \times (60 \text{ minutes/hr})} = 50.4\% \text{ Agent Utilization}$$

# Agent Utilization: Benchmarking Results

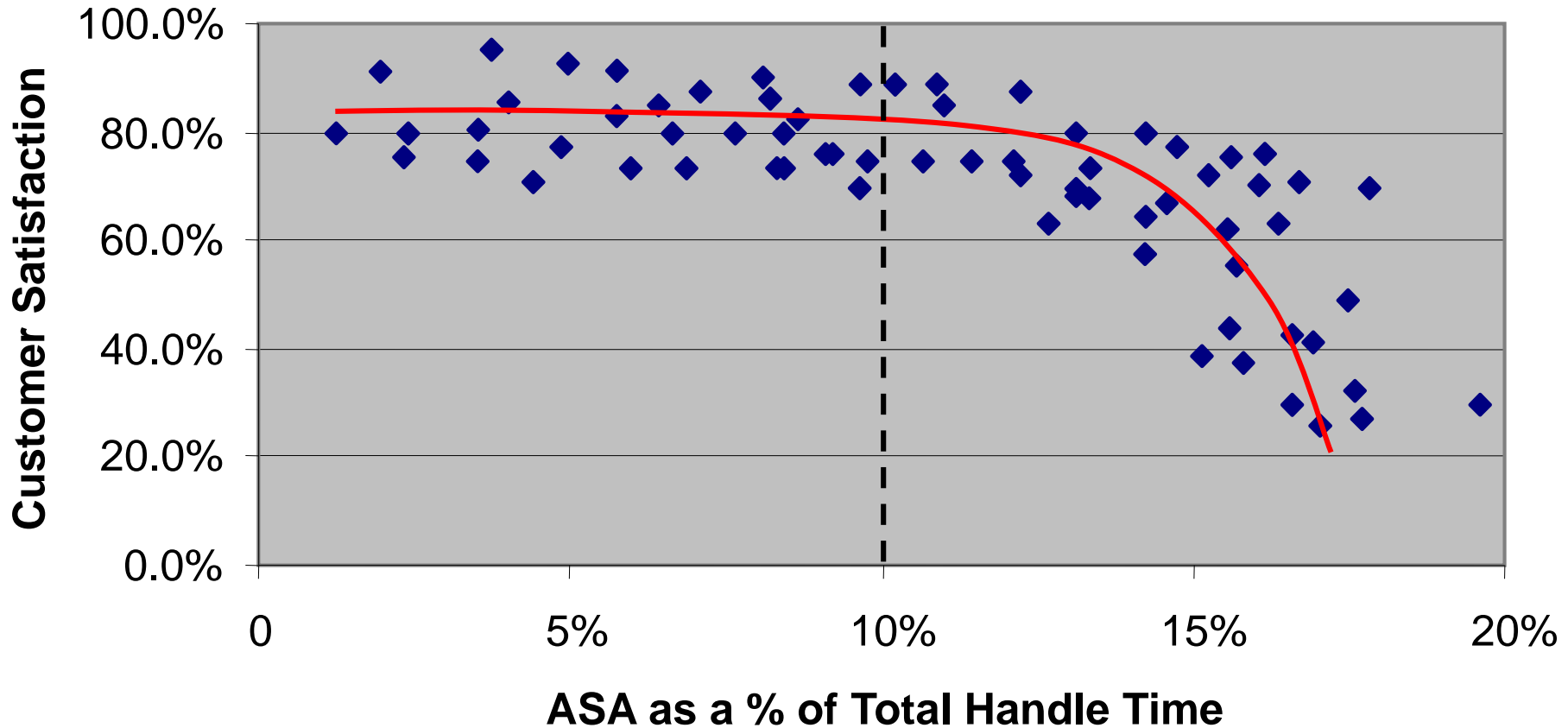


# ASA Drives Cost per Contact

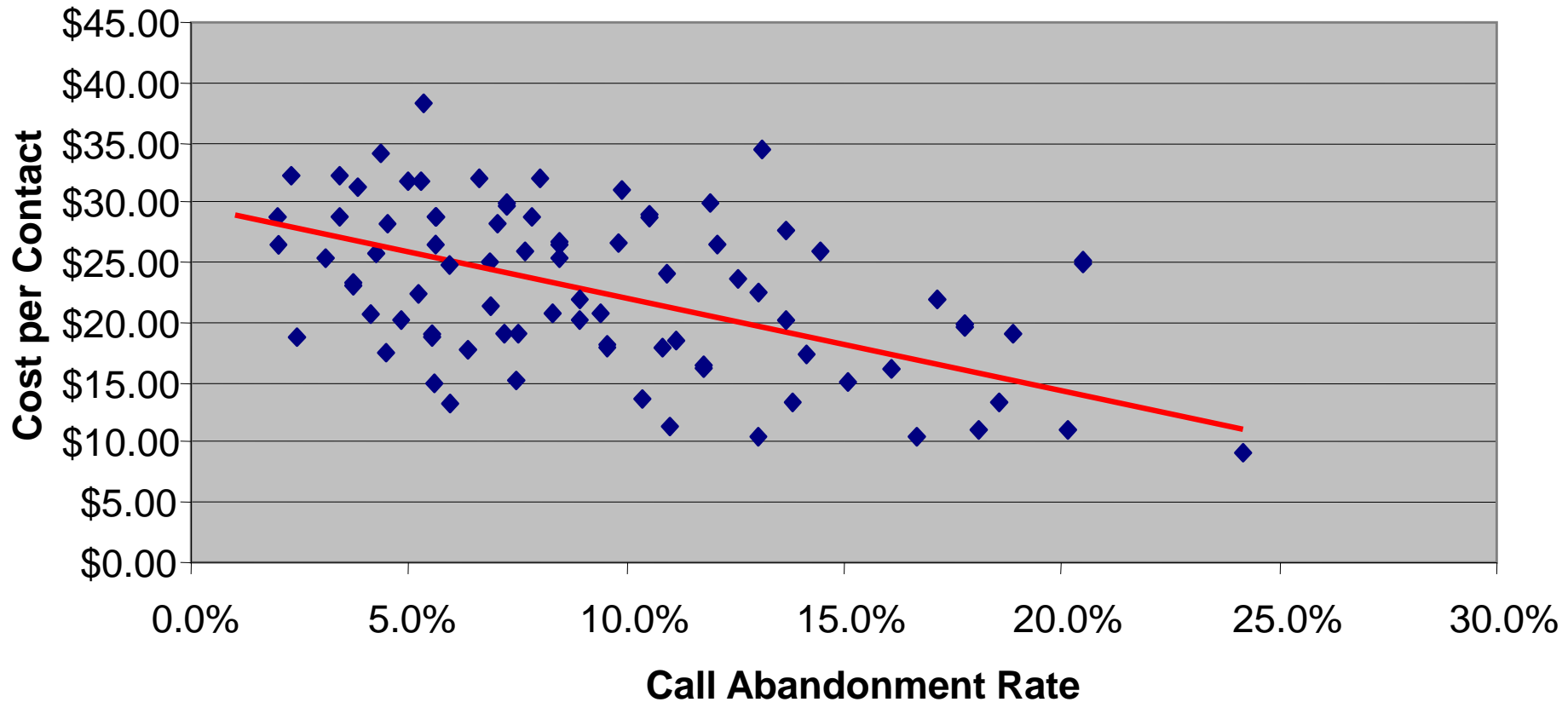




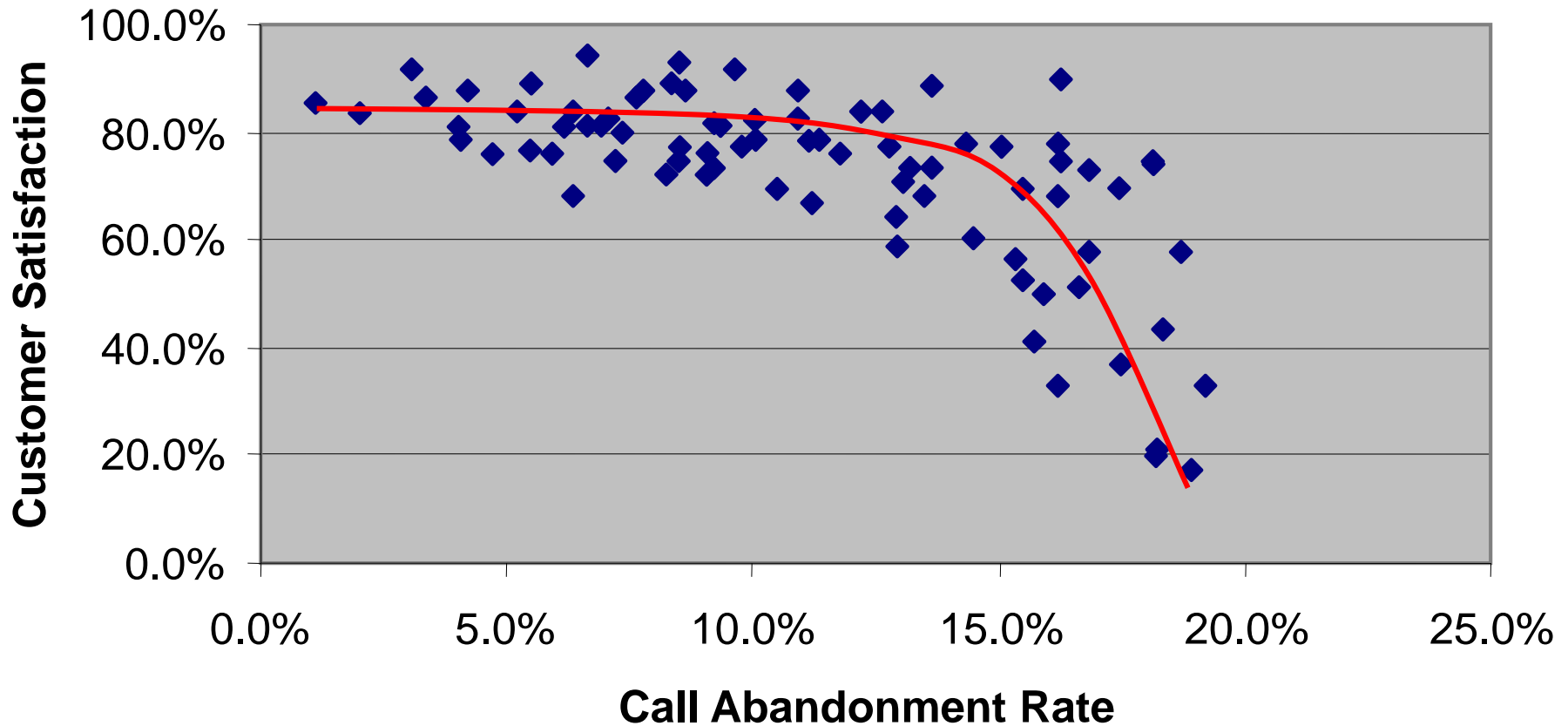
# ASA vs. Customer Satisfaction



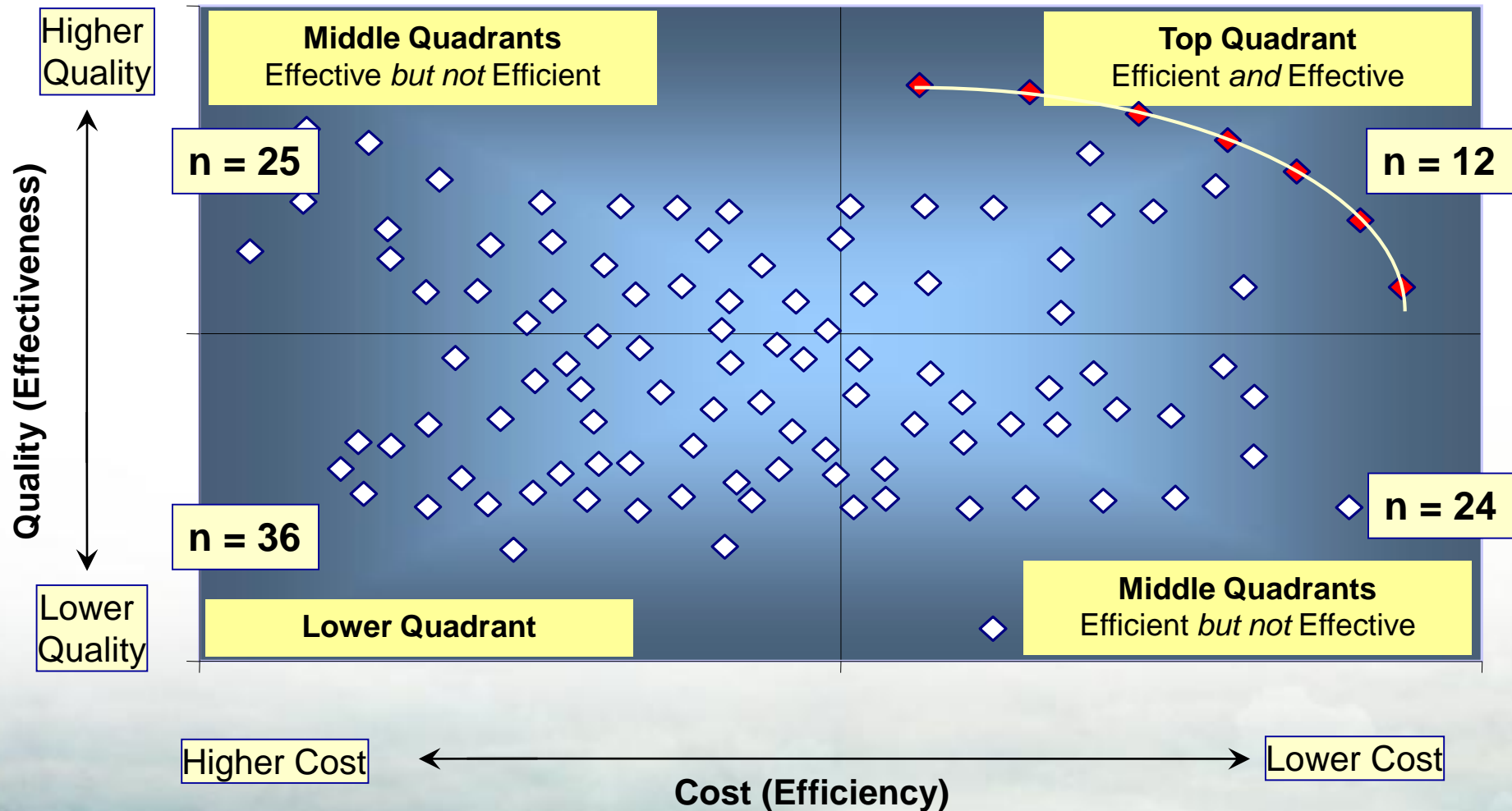
# Call Abandonment Rate Also Drives Cost per Contact



# Call Abandonment Rate vs. Customer Sat



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



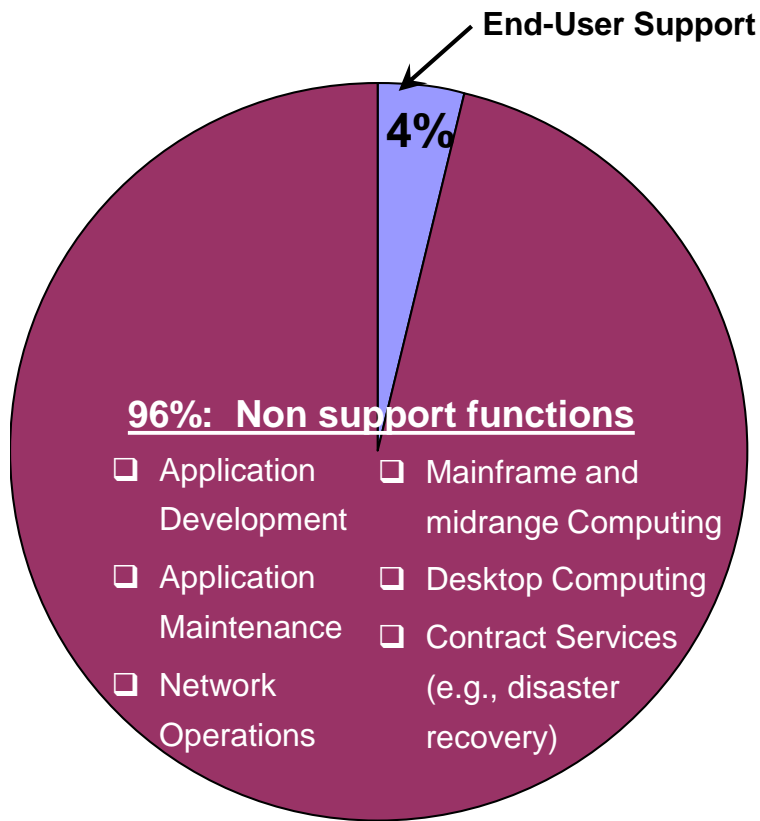


YOUR FIRST-CLASS PASS TO SERVICE MANAGEMENT

# Doing the Right Things!



# The Paradox of IT Support



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

# Creating Economic Value in Service and Support

World-Class Service and support organizations recognize and exploit three unique sources of leverage:

1. Minimizing Total Cost of Ownership (TCO)
2. Improving End-User Productivity
3. Driving a Positive View of Corporate IT

# Cost of First Level vs. n-Level Resolution

	Support Level	Cost per Ticket
	Vendor	\$471
	Field Support	\$196
	Level 3 IT (apps, networking, NOC, etc.)	\$85
	Level 2: Desktop Support	\$62
	Level 1: Service Desk	\$22

# Shift Left Cost Reduction Strategies



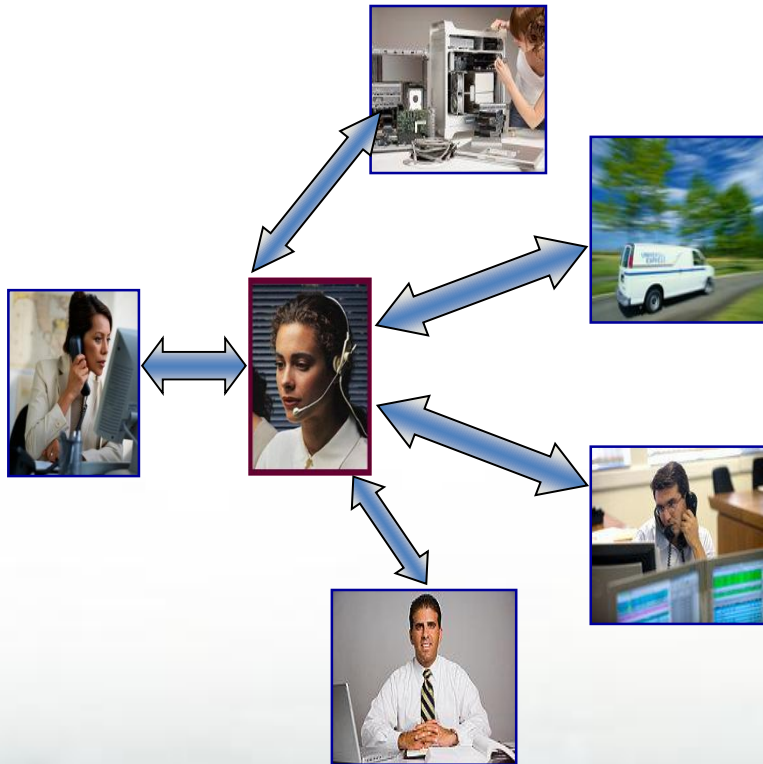


# The Tao of SPOC (Single Point of Contact)





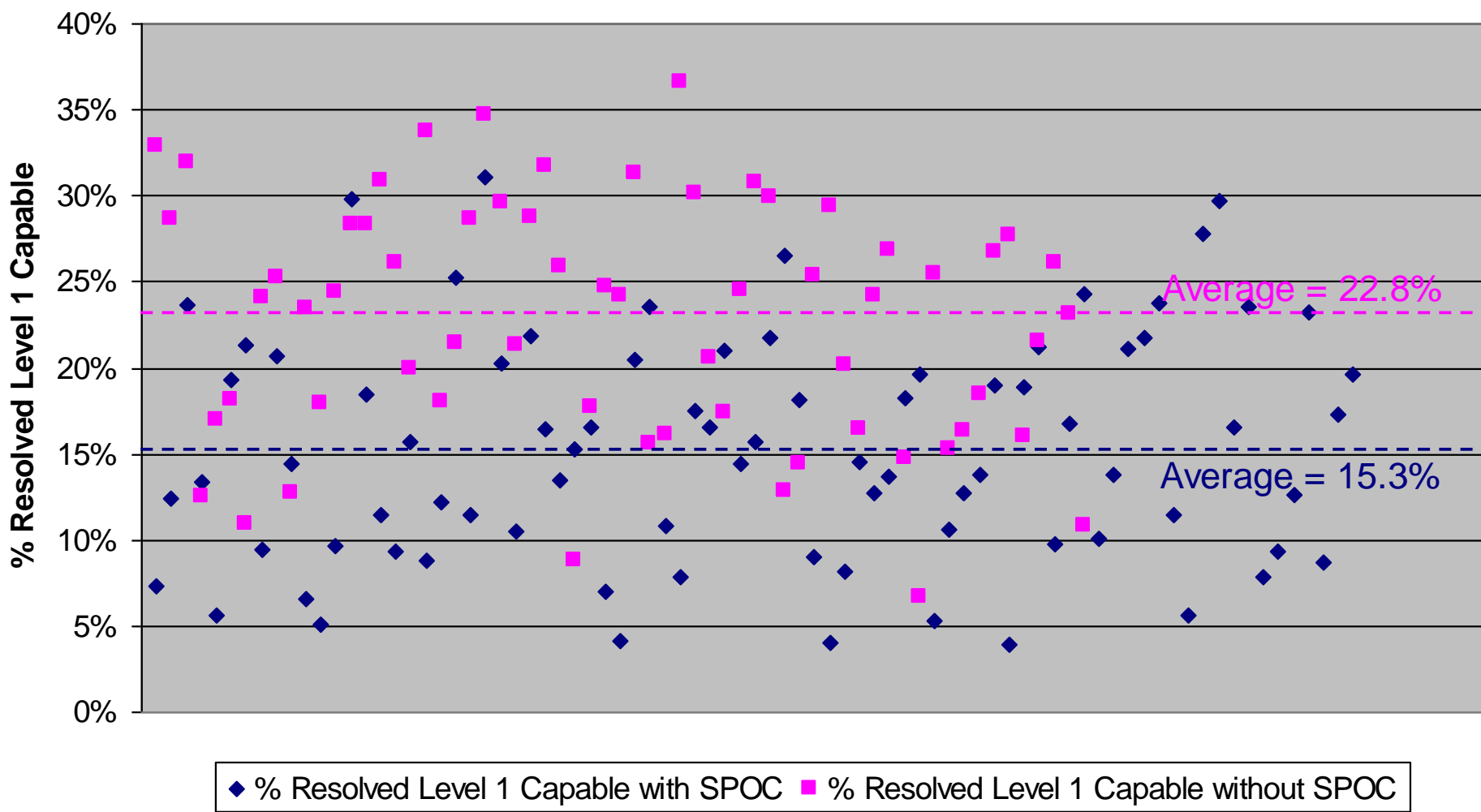
# The Tao of SPOC (Continued)



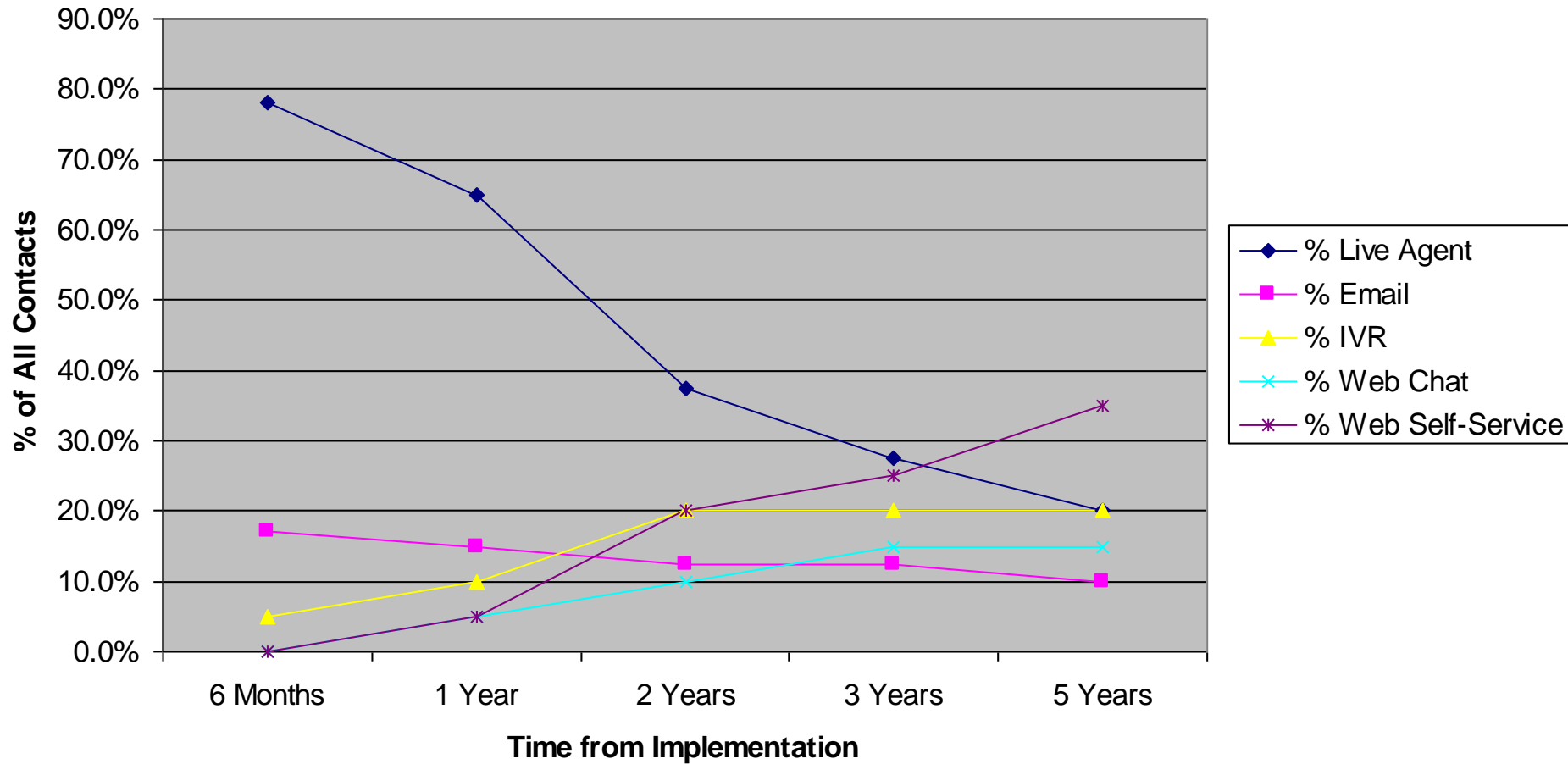
## Key SPOC Principles

- ❑ Enterprise takes an end-to-end view of user support
- ❑ User/Customer has a single point of contact for all IT-related incidents, questions, problems, and work requests
- ❑ The Level 1 Service Desk is the SPOC
- ❑ Level 1 is responsible for:
  - Ticket triage
  - Resolution at Level 1 if possible
  - Effective handoffs to n level support
  - Resolution coordination and facilitation
  - Ticket closure
- ❑ Desktop “Drive-bys”, “Fly-bys”, and “Snags” are strongly discouraged

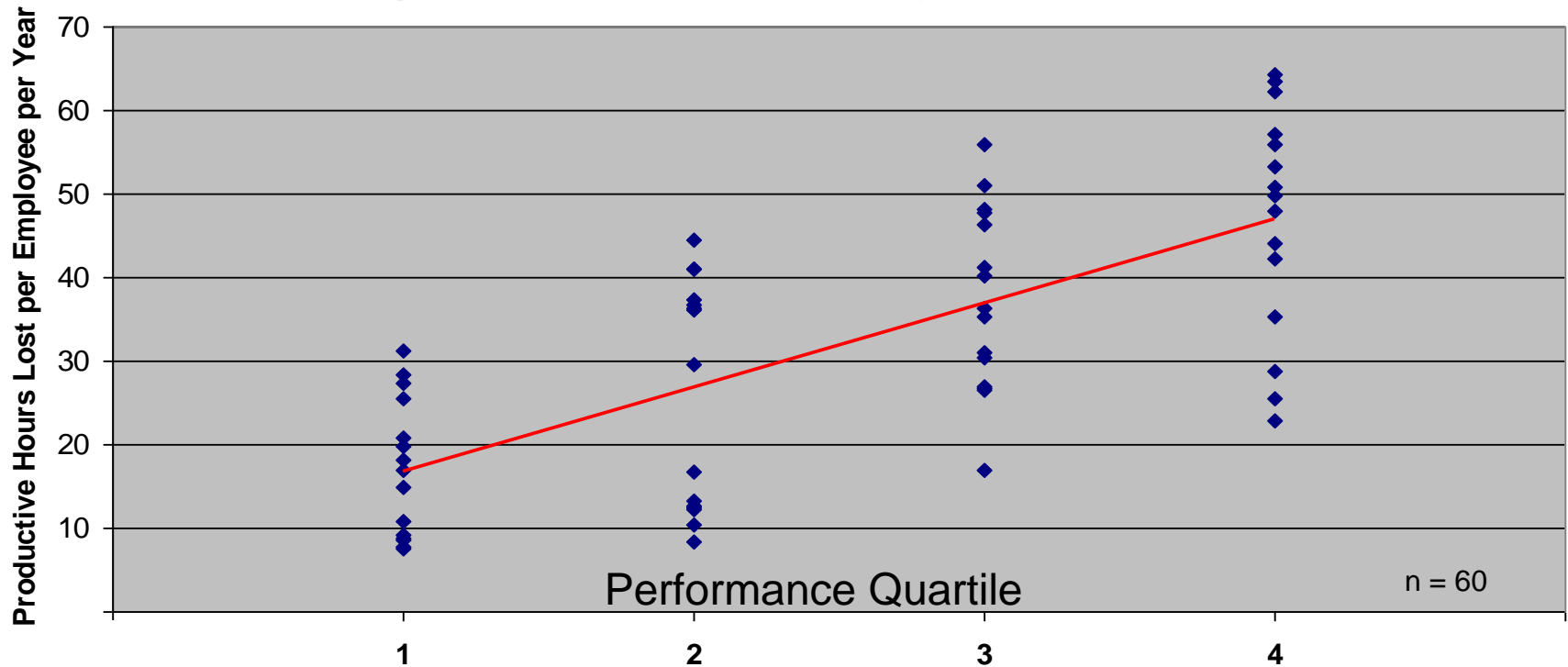
# SPOC Support Reduces Total Cost of Ownership



# Driving Contacts into Lower Cost Channels

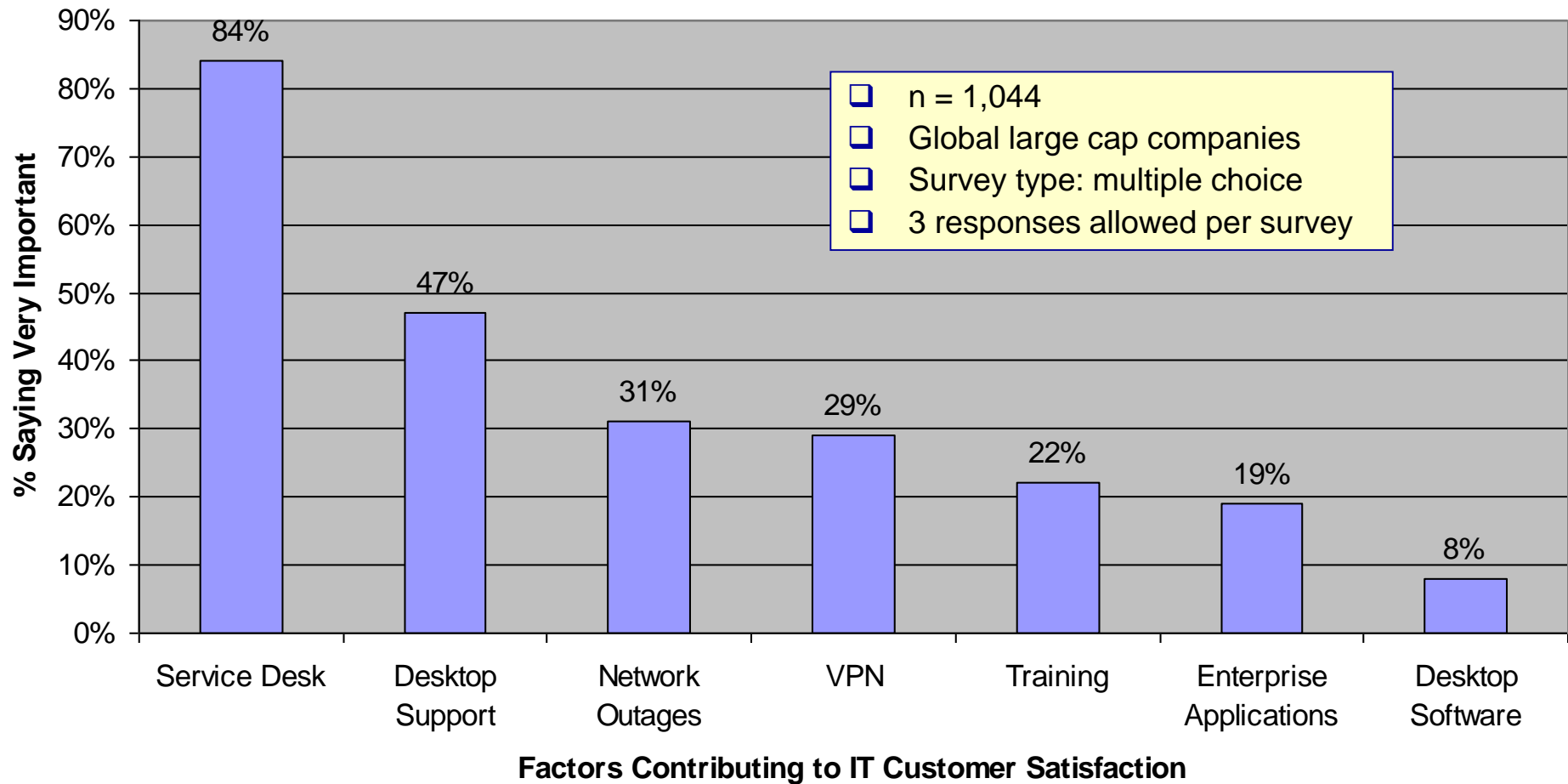


# Returning Productivity to End Users



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

# Support Drives Customer Satisfaction for *All* of IT



- 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



# 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!



YOUR FIRST-CLASS PASS TO SERVICE MANAGEMENT

# Questions?

Jeff Rumburg  
Managing Partner  
MetricNet, LLC

# Thank you for attending this session.

## Don't forget to complete an evaluation form!

### Optimizing the Tradeoff: ***Cost vs. Quality in IT Support***

Jeff Rumburg  
Managing Partner  
MetricNet, LLC