



# *The ROI of ITSM – Know Your Financial Impact!*

Jeff Rumburg  
Managing Partner  
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# 28 Years of Service and Support Benchmarks



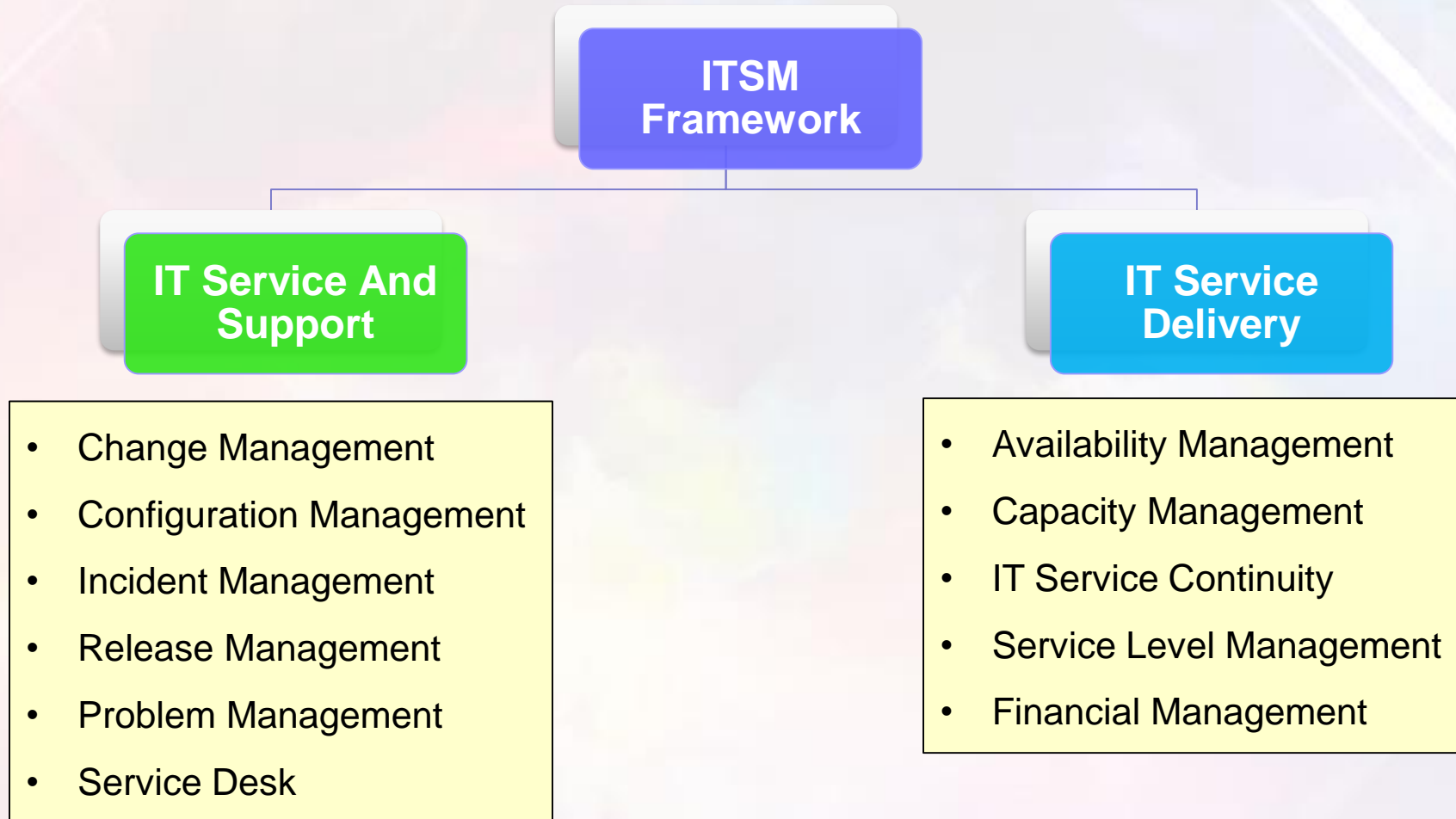
Global Database

Nearly 4,000 IT Service and Support Benchmarks

70+ Key Performance Indicators

More than 120 Industry Best Practices

# The ITSM Discipline



# What is the Financial Impact of ITSM?

☐ Profit = Revenue – Cost

☐ Increase Revenue

- Grow market share
- Increase customer lifetime value
- Increase average size of sale

☐ Decrease Costs

- Reduce operational expense
- Reduce cost of downtime
- Increase user productivity

☐ Return on Investment



# ROI Defined

$$\text{ROI} = \frac{\text{Return}}{\text{Investment}} = \frac{\text{Savings or Profits}}{\text{Spending}}$$

- ❑ ROI is a simple ratio
- ❑ It requires quantification of Return (Savings or Profits), and Investment (Spending)
- ❑ It is measured over a one-year timeframe (One Year ROI is implied in the metric)
- ❑ It is one of the most widely used and accepted financial metrics
- ❑ It can be used *prospectively*, as part of a Business Case Analysis
- ❑ ...Or *retrospectively* to evaluate the past business success

# ROI: Two Simple Examples

Example	Investment	One Year Return	First Year ROI
Bank CD	\$10,000	\$300	3%
Service Desk Training	\$10,000	\$20,000	200%

## Service Desk Training: A 200% Return

- ❑ Company XYZ hires an outside training firm in an effort to reduce handle times, and improve First Contact Resolution rates
- ❑ Following the training, handle times drop from 10 minutes to 9 minutes, and Cost per Contact drops from \$20 to \$19
- ❑ The \$1 savings in Cost per Contact, when multiplied by 20,000 contacts per year, yields a one year savings of \$20,000
- ❑ The end result is an ROI of 200% in year 1

# Success Stories From the World of ITSM

## Finance

- ❑ **Pershing** reduced incident response time by more than 50%. *CIO Magazine*
- ❑ **Raymond James Financial** dropped the number of calls to the service desk by as much as 25% within 18 months. *Computerworld*
- ❑ **JPMorgan Chase** eliminated 500,000 service desk calls.
- ❑ **Capital One** reduced system crashes and software distribution errors by 30% and business critical incidents by 92%. *Computerworld*
- ❑ **Sallie Mae** reduced the handle time of service desk calls by 40%. *Bank Tech News*
- ❑ **Visa** saw a reduction in the mean time to resolve incidents by as much as 75%. *Smart Enterprise Magazine*



# Success Stories From the World of ITSM (contd.)

## Education

- ❑ **Perdue University** reduced second-level support calls by 50% and enabled a \$73 million ERP implementation without adding more FTEs or degrading service levels. *InfoWorld*

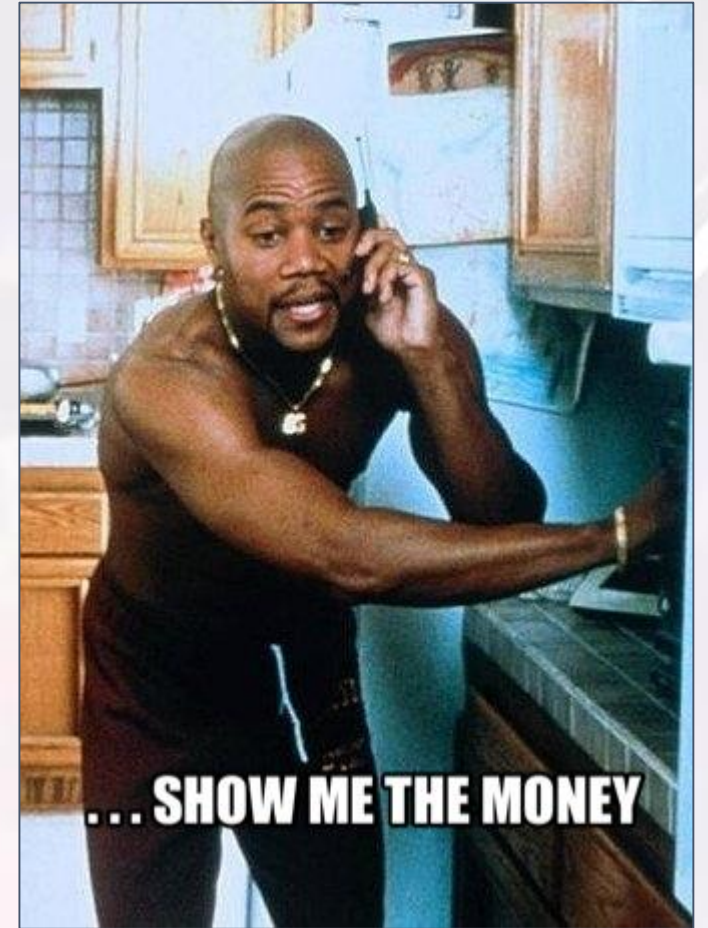
## Telecommunications

- ❑ **Avaya** cut its IT budget by 30%. *Techworld*
- ❑ **Telkomsel** reduced operational IT costs by 50-60%. *Computerworld UK*

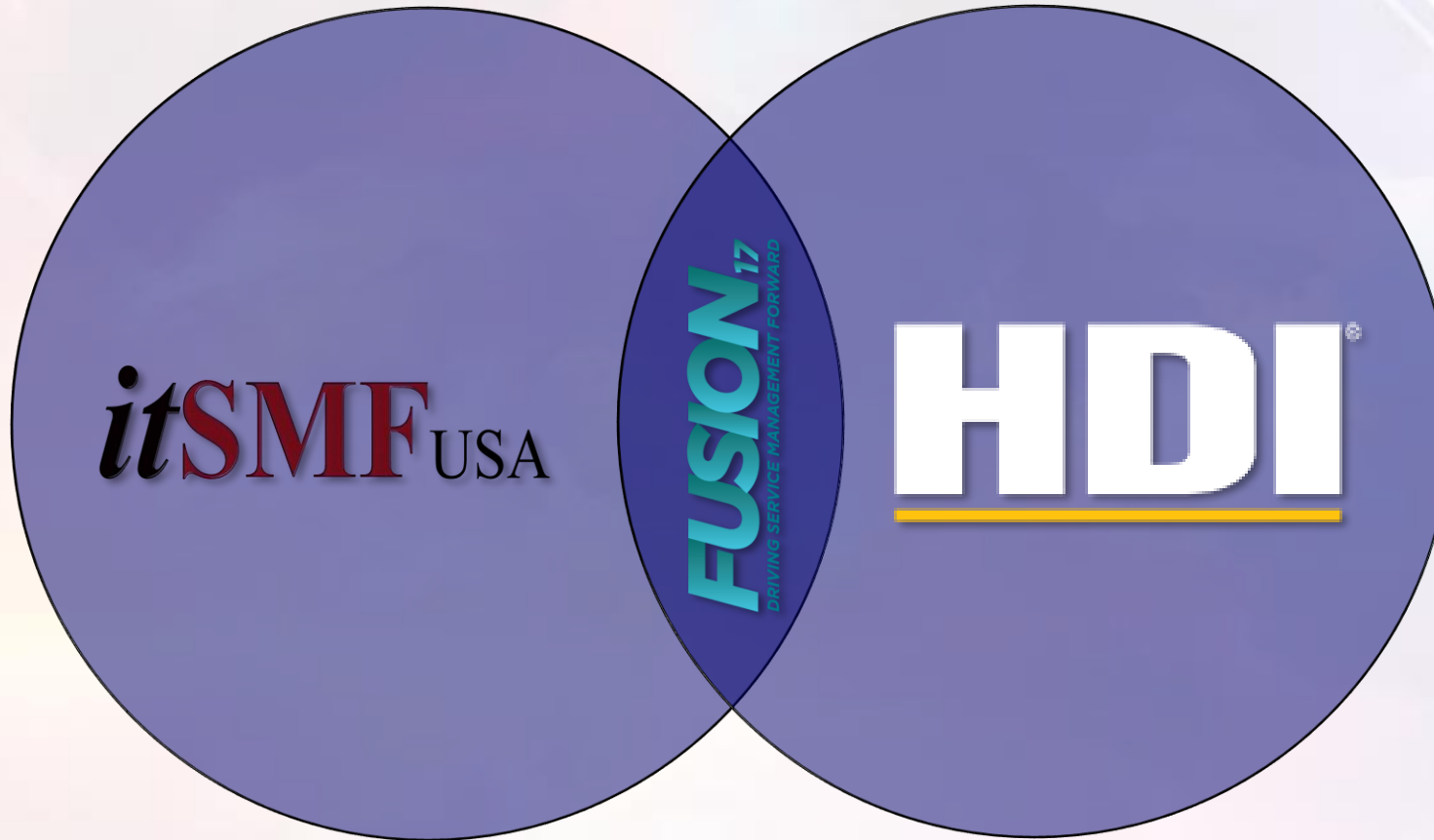
## Government

- ❑ **The State of Illinois** saved over \$130 million annually.
- ❑ **The US Postal Service** realized a 50% reduction in incident resolution time, and a 30% reduction in time to implement new changes. *Pink Elephant*

# Show Me the Money!!



# Let's Get Specific





# Three Components of the ROI Question

## Organizational ROI

- ❑ Is our Service Desk “profitable”?
- ❑ Is Desktop Support “profitable”?
- ❑ What is the overall ROI for End-user Support in our organization?
- ❑ Does End-user support make a positive economic contribution?

## Project ROI

- ❑ How *efficient* is the Service Desk?
- ❑ How *efficient* is Desktop Support?
- ❑ Is it possible to reduce costs in end-user support?
- ❑ What steps can be undertaken to minimize costs for end-user support?

## Investment ROI

- ❑ What incremental investments in End-User Support make economic sense?
  - ❑ Technology investments
  - ❑ Process investments (e.g. ITIL)
  - ❑ Investments in Training
  - ❑ Investing in Human Resources
  - ❑ Insourcing and Outsourcing

# Organizational ROI: Are You “Profitable”?



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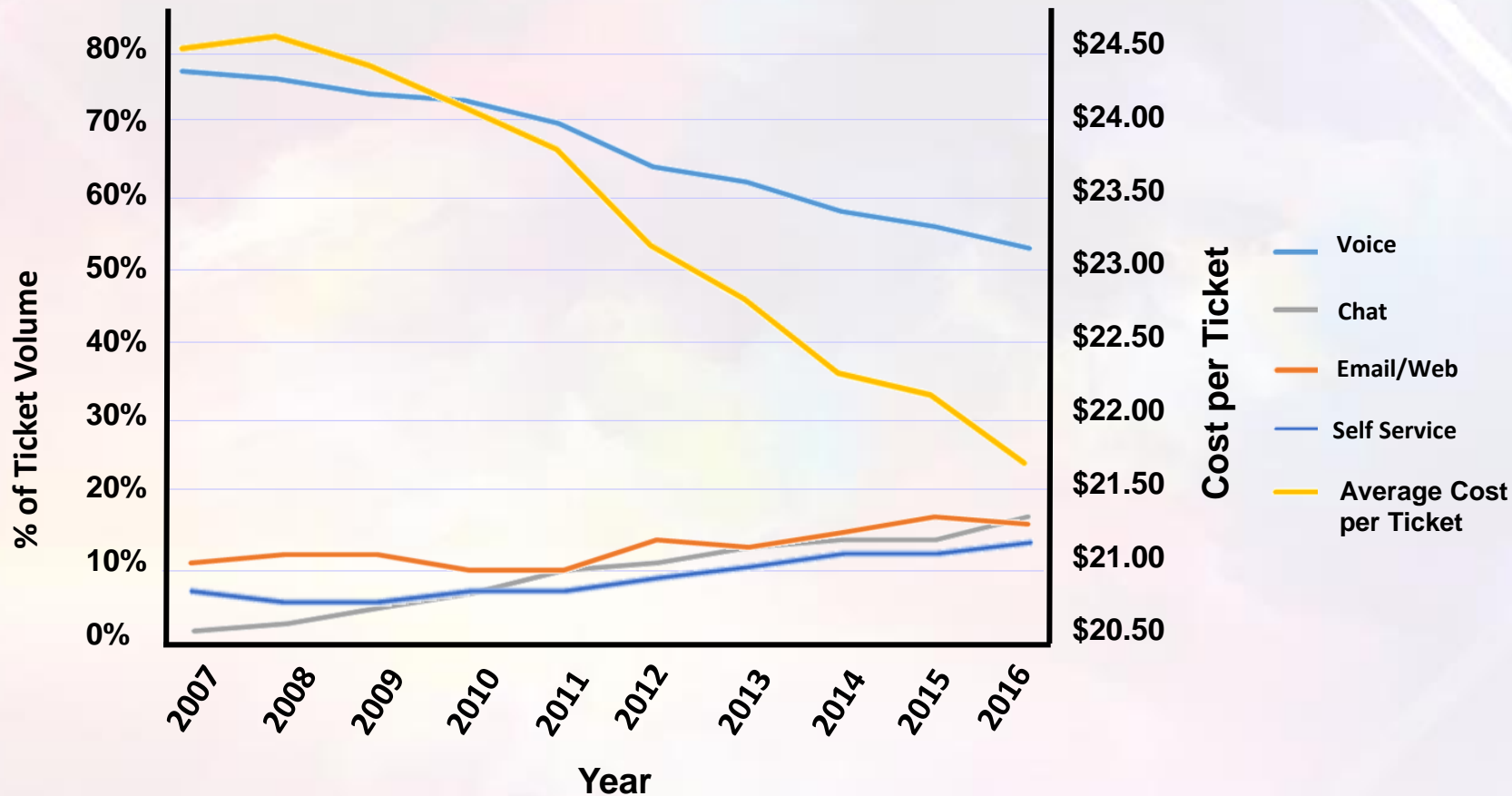
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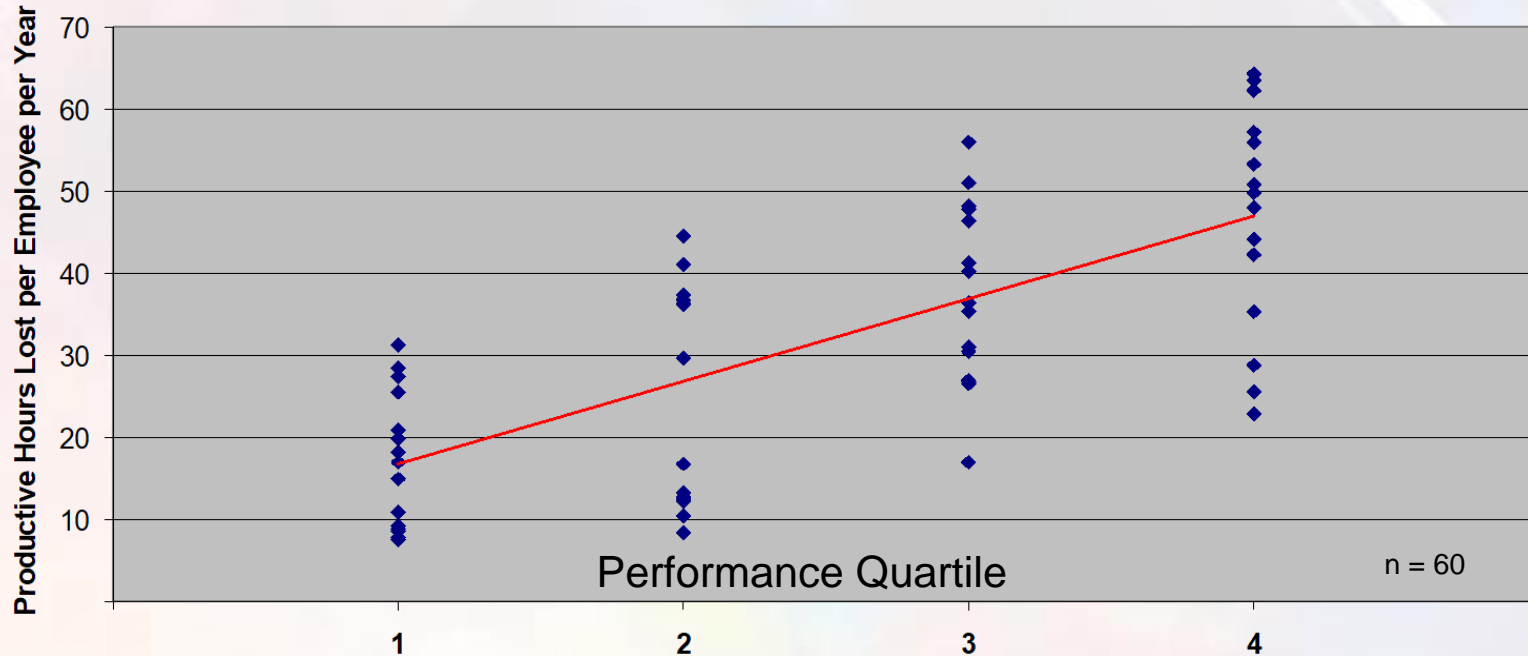
# Shift Left Reduces Total Cost of Ownership



# Contact Deflection into Lower Cost Channels



# 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

# Case Study 101: Service Desk ROI

Service Desk Location(s)		Anytown, USA	
Hours of Operation		Sunday – Thursday, 7 AM – 9 PM • Friday, 7 AM – 6 PM	
Data Time Period		July 2016 – June 2017	
Annual Operating Expense		\$2,754,406	
Monthly Inbound Contact Volume	Voice	6,763	
	Voicemail	93	
	Email	817	
	Web Portal	1,027	
	Chat	464	
	Walk-In	237	
	Self Service	5,275	
	Other	439	
	Total	15,115	
Monthly Outbound Contact Volume		3,707	
FTE Personnel Headcount		Technology Profile	
Technician Level 1	11.0	Trouble Ticket System	Cherwell
Technician Level 2	6.0	Automatic Call Distributor (ACD)	Avaya Aura Contact Center
Technician Level 3	5.0	Interactive Voice Response (IVR)	Avaya Aura Contact Center
Supervisor/Team Lead	1.0	Knowledge Management System	Right Answers/Cherwell
Manager	1.0	Labor Reporting System	Custom software
QA/QC	0.5	Remote Control Software	Bomgar
Trainer	0.5	Self-Help Software	Right Answers/Cherwell
Service Delivery	1.0	Call Quality	Avaya
Technology Tools Analyst	1.0	Other Technology	DeskAlerts, Oracle OIM
Administrative	0.25		
Total	27.25		



# A Closer Look at the Data

<b>Annual Operating Expense</b>	<b>\$2,754,406</b>
<b>Monthly Inbound Contact volume</b>	<b>15,115</b>
<b>Monthly Outbound Contact Volume</b>	<b>3,707</b>
<b>FTE Personnel Headcount</b>	<b>27.25</b>



## ROI from Shift Left

Average Monthly Contact Volume (excluding self help)		9,840
First Level Resolution	Company ABC	91.5%
	Peer Group	82.5%
Monthly FLR Ticket Volume vs. Peer Group		886
FLR Savings per Ticket		\$69
Estimated Annual Shift Left Savings		\$733,277

## ROI From Channel Mix

Contact Channel	Average Monthly Contact Volume	Cost per Contact
Voice	6,763	\$23.33
Voice Mail	93	\$23.33
Email	817	\$18.66
Web	1,027	\$18.66
Chat	464	\$17.73
Walk-up	237	\$35.00
Other	439	\$23.33
Self Service	5,275	\$2.00
<b>Monthly Total</b>	<b>15,115</b>	<b>\$229,510</b>
<b>Annual Total</b>		<b>\$2,754,120</b>
<b>Annual Savings vs. Voice Only</b>		<b>\$1,477,476</b>

# ROI from User Productivity Gains

Balanced Scorecard Quartile Performance		1
Annual Productive Hours Lost per User	Industry Average	25.9
	Company ABC	17.1
Productive Hours Returned per User per Year		8.8
Number of End Users Supported		8,200
Total Productive Hours Returned to ABC End Users		72,160
Annual Working Hours per FTE		1,800
Estimated FTE Savings		40
Estimated Annual Fully Loaded FTE Cost		\$120,000
Productivity ROI		\$4,810,667

## Total Estimated Service Desk ROI is 255%

<b>Channel Mix ROI</b>	<b>\$1,477,476</b>
<b>Shift Left ROI</b>	<b>\$733,277</b>
<b>Productivity ROI</b>	<b>\$4,810,667</b>
<b>Total Return</b>	<b>\$7,021,419</b>
<b>Annual Operating Expense (Investment)</b>	<b>\$2,754,406</b>
<b>Annual ROI</b>	<b>255%</b>

# Operational ROI: Are You Optimized?

## Organizational ROI

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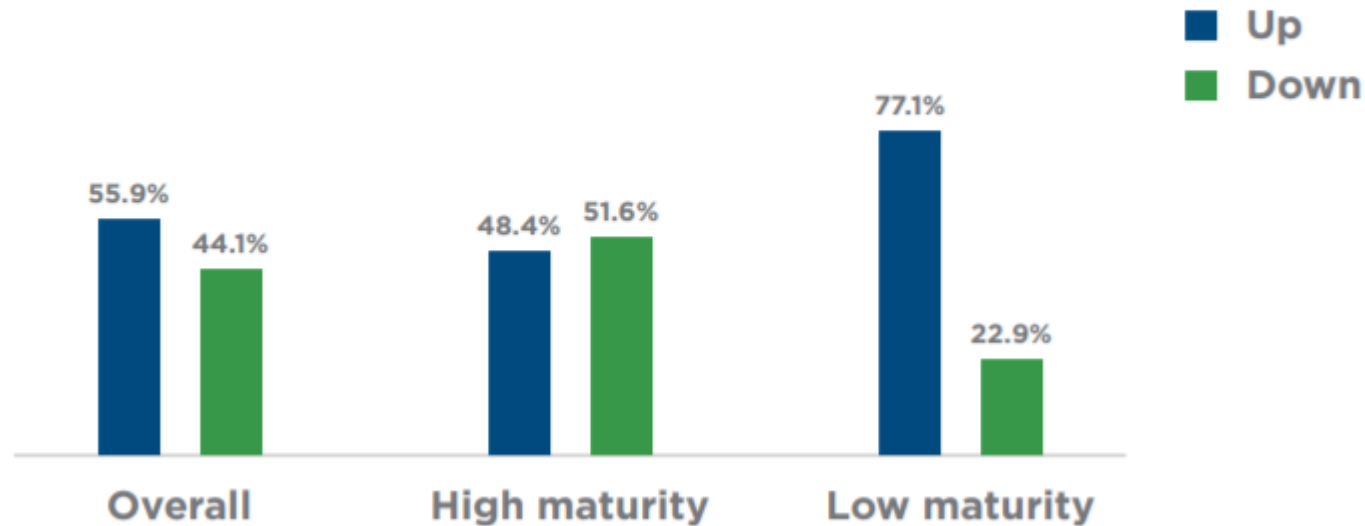
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# ITSM Maturity Directly Impacts The Number of Incidents

**Figure 25: Is the Number of Incidents Currently Trending Up or Down, Period Over Period? (by Maturity)**



Sample: Reduced Incident Volume				
\$ 20	Average \$ per Incident*			
1,000	Average Incidents per week			
\$ 20,000	Incident cost per week			
		Savings		
		Weekly	Annual	
Goal: Reduce By	10%	\$ 2,000	\$ 104,005	
	20%	\$ 4,000	\$ 208,010	
	30%	\$ 6,000	\$ 312,016	

\*Source: Help Desk Institute

# Case Study 102: Root Cause Analysis

## The Scenario

- ❑ An insurance company spending \$4.8 million per year on their service desk
- ❑ The service desk supports 8,190 users
- ❑ And handles 21,300 tickets per month
- ❑ They embarked upon an aggressive Root Cause Analysis program

# The Result: Cost Savings from Root Cause Analysis

Metric	Beginning of Year	End of Year	Change
End-Users Supported	8,190	8,650	460
Monthly Ticket Volume	21,300	19,100	-2,200
Monthly Tickets per User	2.60	2.21	-0.39
Annual Operating Expense	\$4,769,496	\$4,226,448	-\$543,048
Cost per Ticket	\$18.66	\$18.44	-\$0.22
Annual Cost per User	\$582	\$489	-\$94

\$ 94 in Savings per User per Year

X 8,650 End-Users

=====

**\$ 813,100** Estimated Savings from Root Cause Analysis

# Investment ROI: Does the Investment Make Sense?

## Organizational ROI

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# ROI: The Heart of Every Business Case

- ❑ A Business Case is a proposed investment, and an economic evaluation of that investment
  - ❑ It is based on quantifiable projections of investment (spending) and return (cost savings)
- ❑ Return on Investment is a central component of every Business Case
  - ❑ Other Business Case metrics may include Time to Breakeven (or payback period), and Cost/Benefit Ratio



## Case Study #3: Investment ROI

Service Desk Headcount	18
Number of End Users Supported	4,927
Annual Operating Expense	\$2,245,766
Monthly Ticket Volume	7,620
Cost per Ticket	\$24.56
First Level Resolution Rate	72.9%

# The Value Proposition

- ❑ Invest in a Remote Control Tool to Increase First Level Resolution
- ❑ First Level Resolution Rate will increase, Driving Shift Left
- ❑ The cost of the tool is \$12,000 per month, or \$144,000 annually
- ❑ But what's the Return?

# Service Desk Costs Increased by \$689,000

Service Desk Metrics	Before the Investment	After the Investment
First Level Resolution Rate	72.9%	86.3%
Monthly Ticket Volume	7,620	9,021
Service Desk Headcount	18	21
Annual Operating Expense	\$2,245,766	\$2,934,601
Number of End Users Supported	4,927	4,927
Cost per Ticket	\$24.56	\$27.11

## But Desktop Support Costs Decreased by \$1,099,128

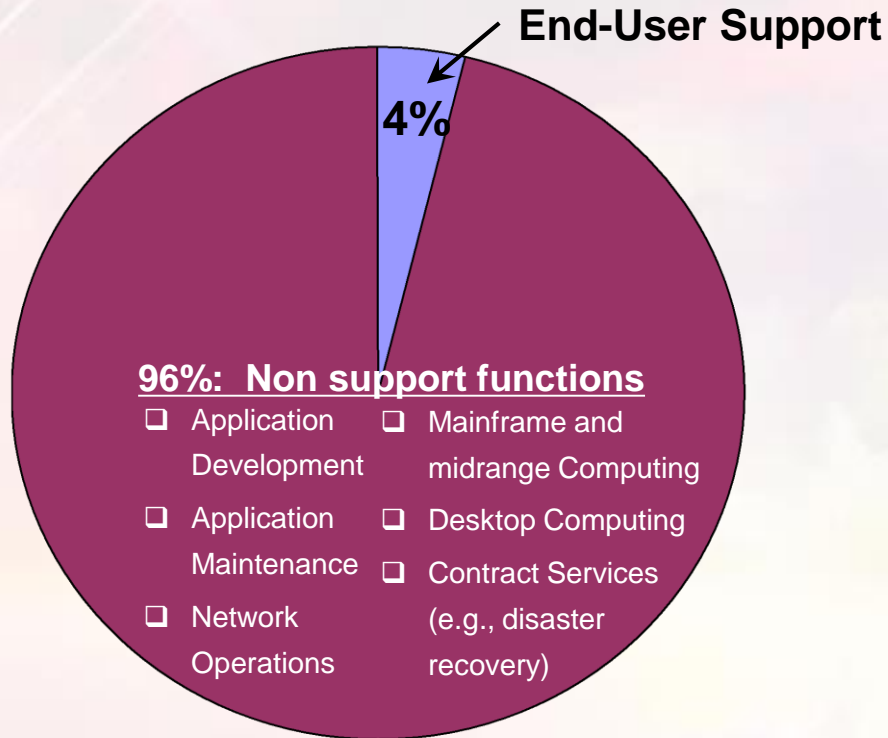
Desktop Support Metrics	Before the Investment	After the Investment
Desktop Support Headcount	23	14
Number of End Users Supported	4,927	4,927
Annual Operating Expense	\$3,310,065	\$2,210,937
Monthly Ticket Volume	3,715	2,314
Cost per Ticket	\$74.25	\$79.61

## The Net ROI Was 285%

Annual Cost of the Tool (Investment)	\$144,000
Annual Increase in Service Desk Costs	\$688,834
Annual Decrease in Desktop Support Costs	\$1,099,128
Net Cost Savings (Return)	\$410,294
Return on Investment (ROI)	285%



# 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

# The Cost Center Dilemma in ITSM

## **Cost Center**

- ❑ Responsible for cost control
- ❑ Not responsible for...
  - Revenue generation
  - Profits
  - Investment decisions

**VS.**

## **Value Center**

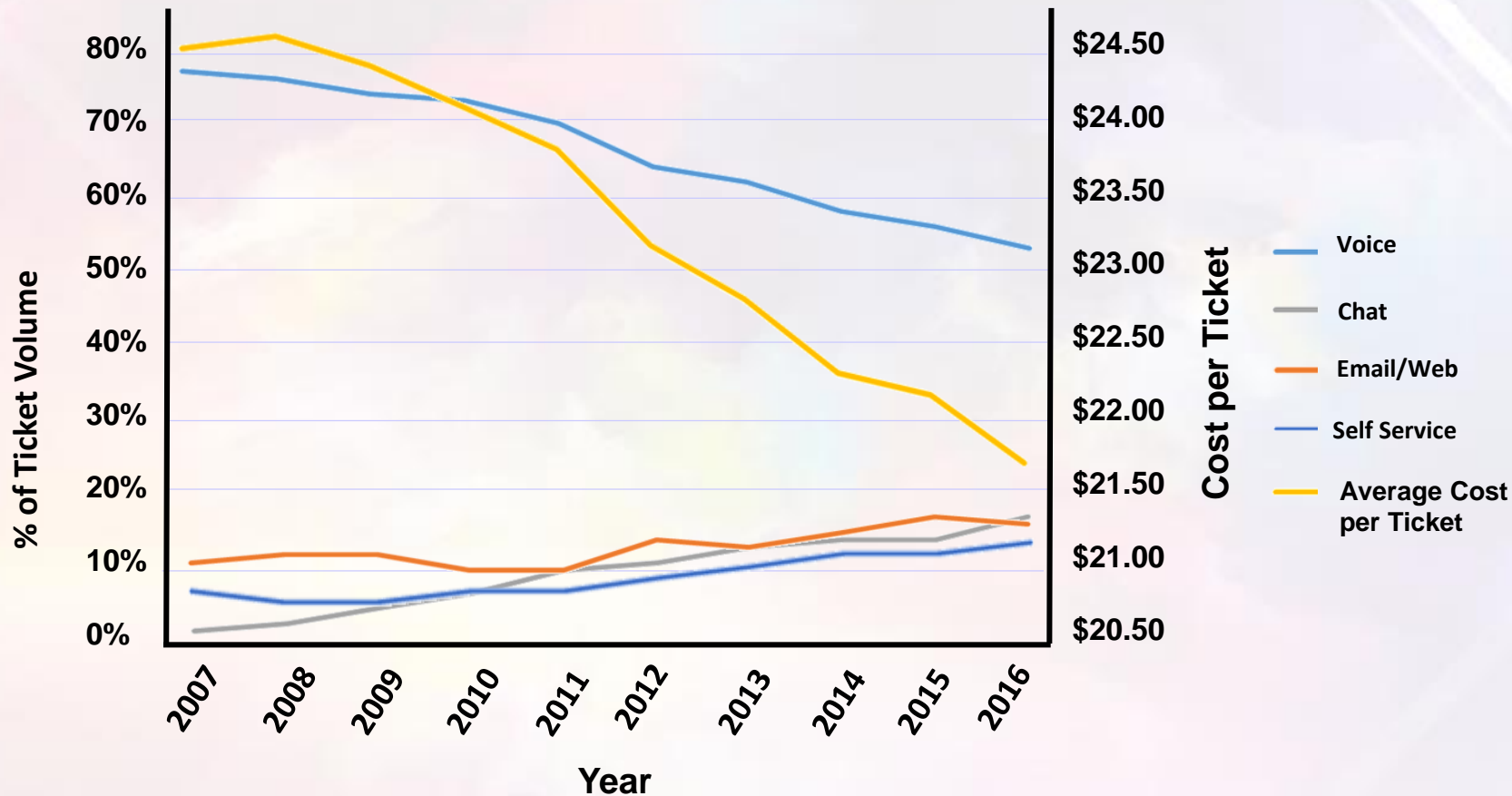
- ❑ Creates value
- ❑ Demonstrates value
  - Cost savings
  - Cost Benefit Analysis
  - ROI Analysis

- ❑ The vast majority of service and support organizations operate as cost centers
  - They are expected to control costs, but are not expected to make any explicit financial contribution to the enterprise
- ❑ The focus in a cost center is on minimizing costs
- ❑ The focus in a Value Center is on maximizing value!

# Shift Left Reduces Total Cost of Ownership

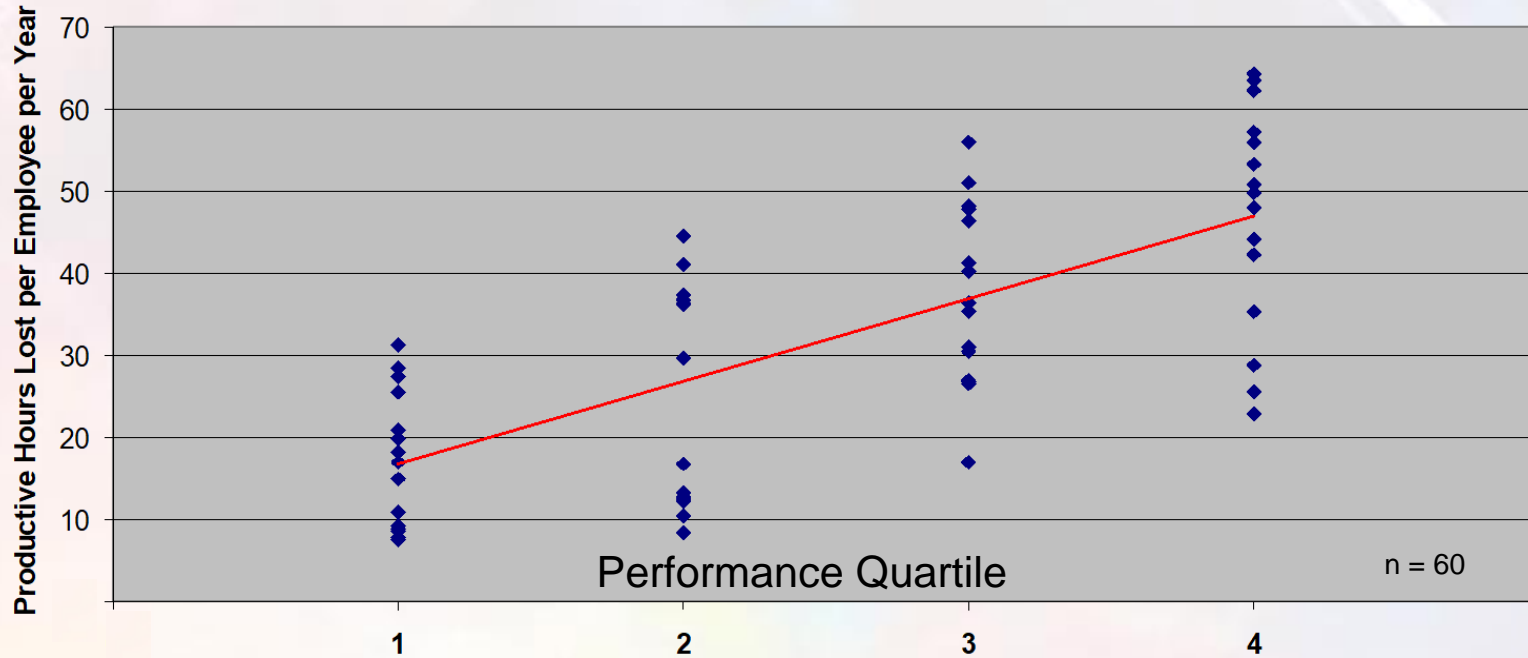


# Contact Deflection into Lower Cost Channels





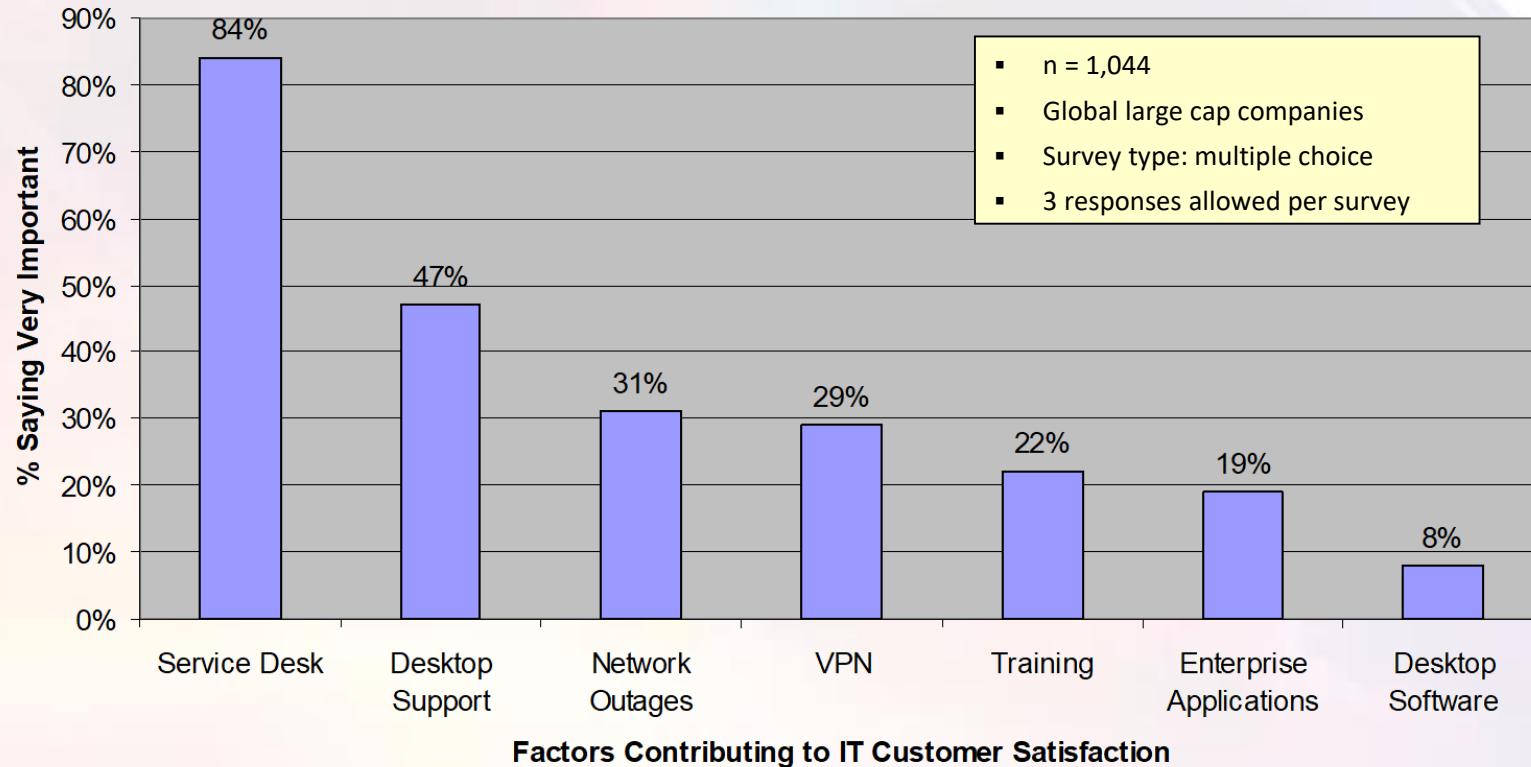
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Average Productive Hours Lost per Employee per Year		17.1	25.9	37.4	46.9



# Service and 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 on ROI

- ❑ Progressive support organizations use ROI to demonstrate their economic contribution to the organization, and justify investments
- ❑ Demonstrably positive ROI greatly increases your credibility within the organization, and leverages your ability to get things done!
- ❑ Changing the IT Service and Support paradigm from Cost Center to Value Center should be high on your list of priorities!
- ❑ Be bold about asserting your rights as a Value Center!

# Questions?

Jeff Rumburg  
Managing Partner  
MetricNet, LLC

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# Thank You!

Jeff Rumburg  
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# Questions?

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# About MetricNet

## *Your Benchmarking Partner*



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Performance Benchmarking

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# 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

# 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





# 28 Years of Service and Support Benchmarking Data



- **Global Database**
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