



The ROI of ITSM

Know Your Financial Impact!

MetricNet Best Practices Series



MetricNet[™]

Performance Benchmarking



HDI[®] 2018

CONFERENCE & EXPO

Las Vegas, NV | #HDIConf
APRIL 10 – APRIL 13, 2018

Leveraging Metrics to Take Southwest Airlines to a Higher Plane – A Case Study

Session 302

Wednesday, April 11 at 3:00 PM

The Enterprise Service Desk - The Greatest Opportunity in a Generation!

Session 604

Thursday, April 12 at 4:00 PM

Maximizing the ROI of Customer Care

Tuesday, May 22nd, 2018

4:30 pm-5:30 pm

Track: Executive Perspectives

2018 Contact Center Benchmarking Results - See How You Stack Up!

Wednesday, May 23rd, 2018

2:45 pm-3:45 pm

Track: Maximize Productivity



28 Years of Service and Support Benchmarks

Global Database

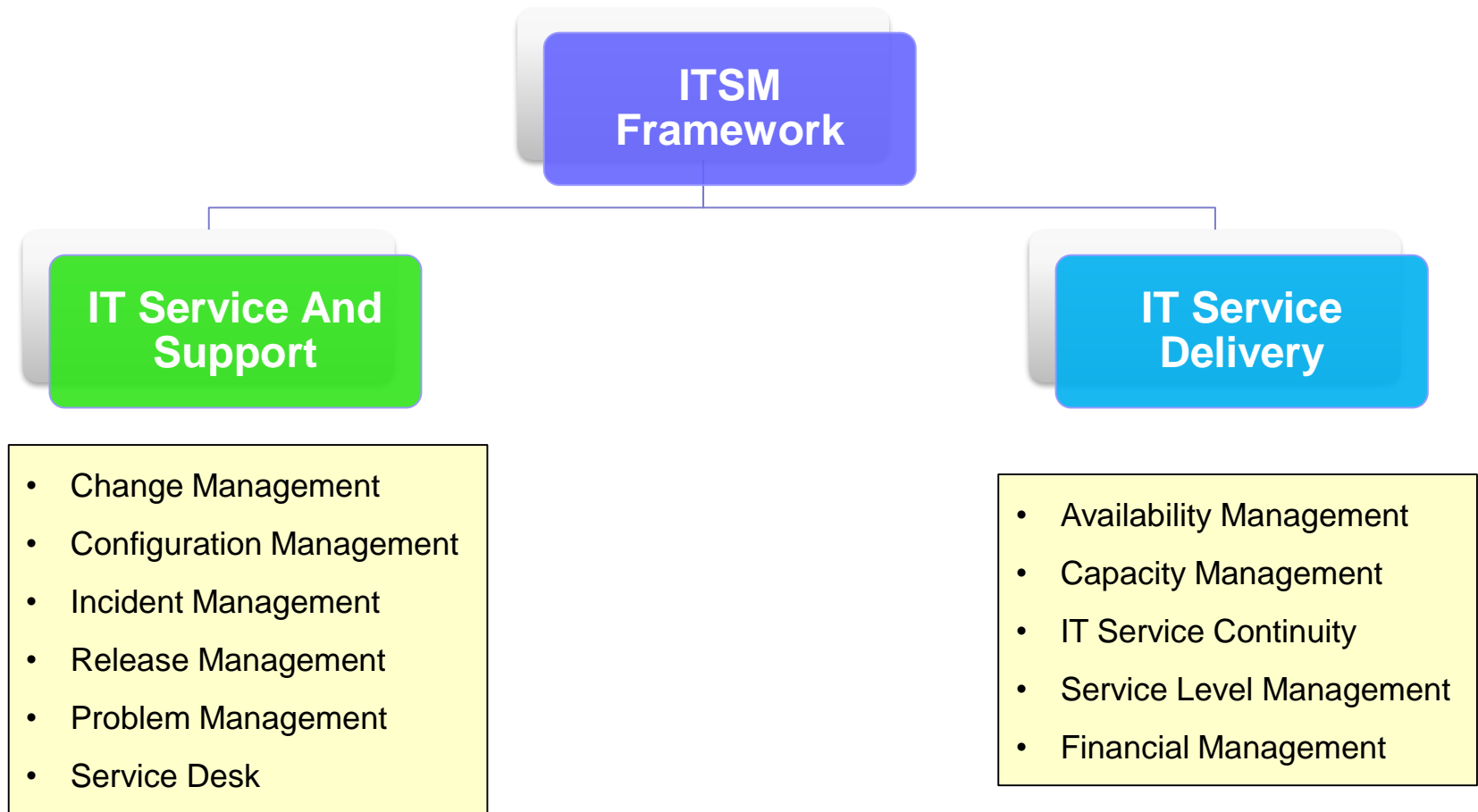
Nearly 4,000 IT Service and Support Benchmarks

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

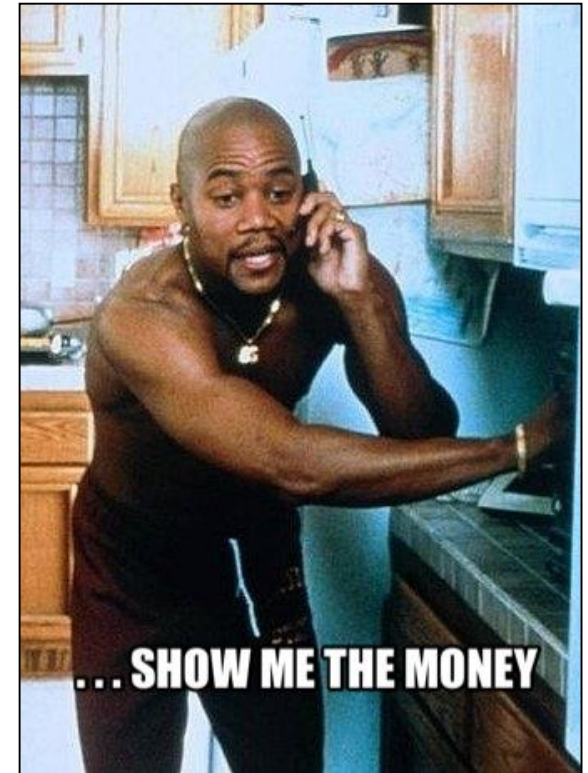
- ❑ **Avaya** cut its IT budget by 30%. *Techworld*
- ❑ **Telkomsel** reduced operational IT costs by 50-60%. *Computerworld UK*

Government

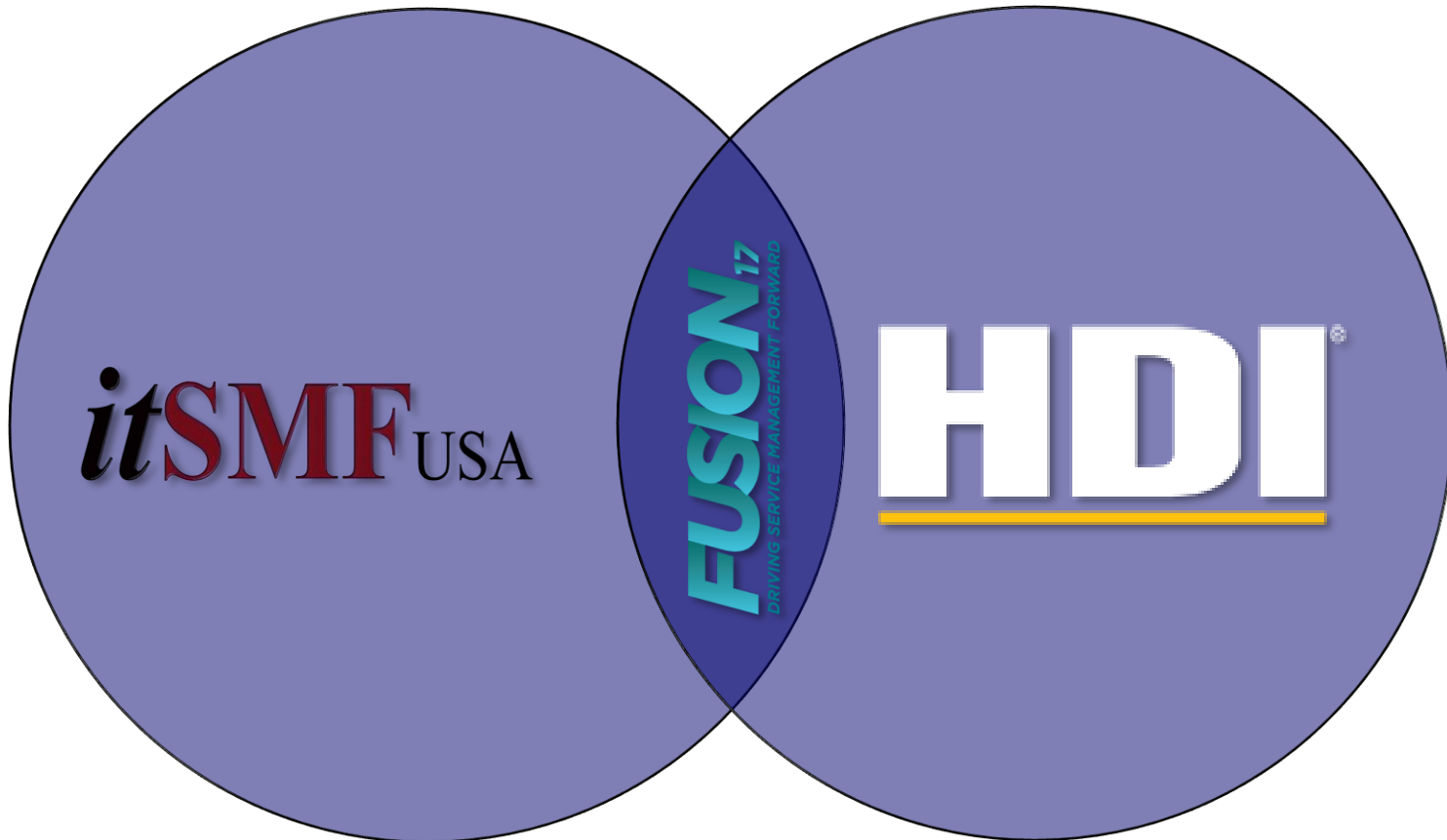
- ❑ **The State of Illinois** saved over \$130 million annually.
- ❑ **The US Postal Service** realized a 50% reduction in incident resolution time, and a 30% reduction in time to implement new changes. *Pink Elephant*



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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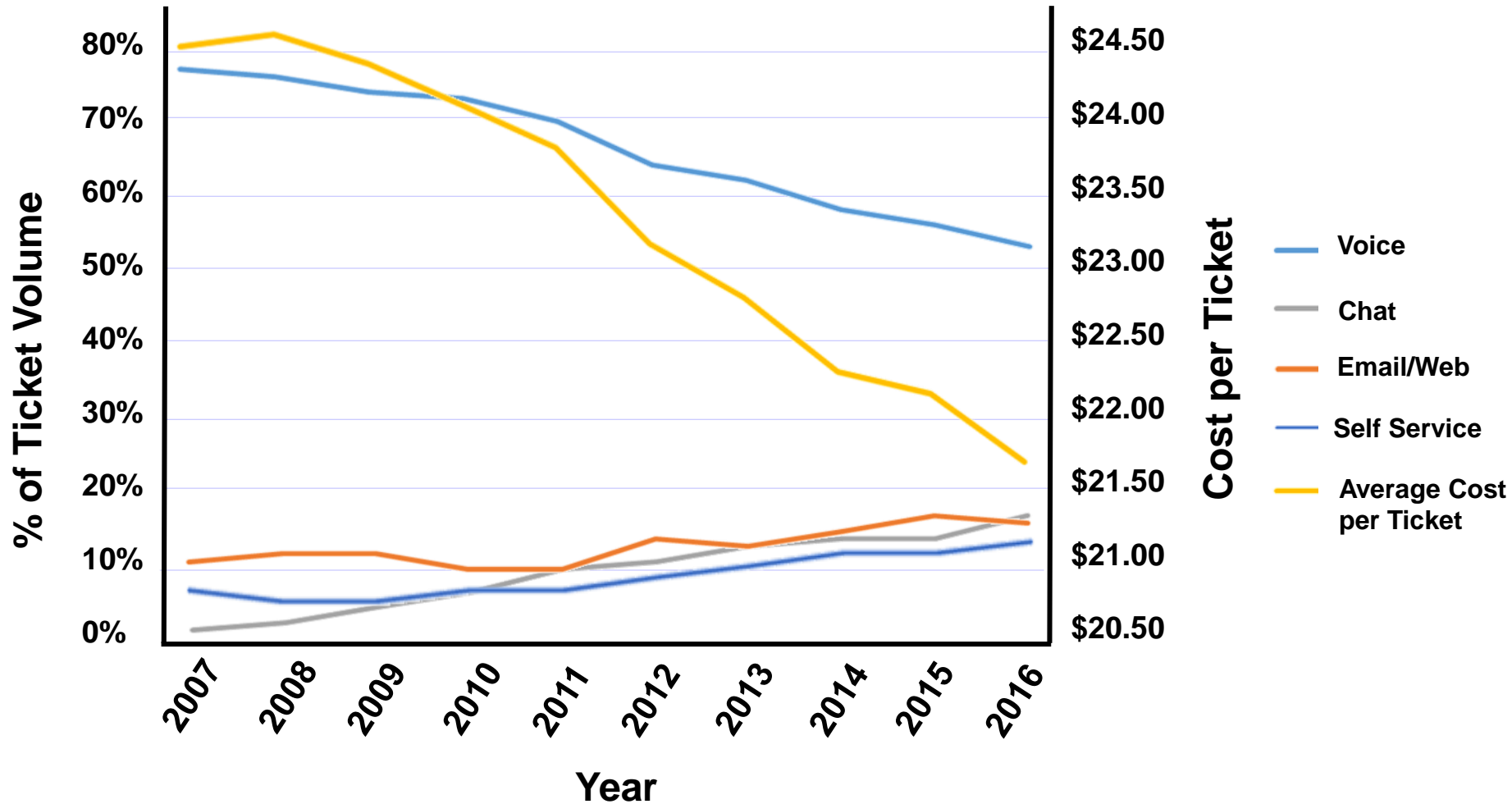
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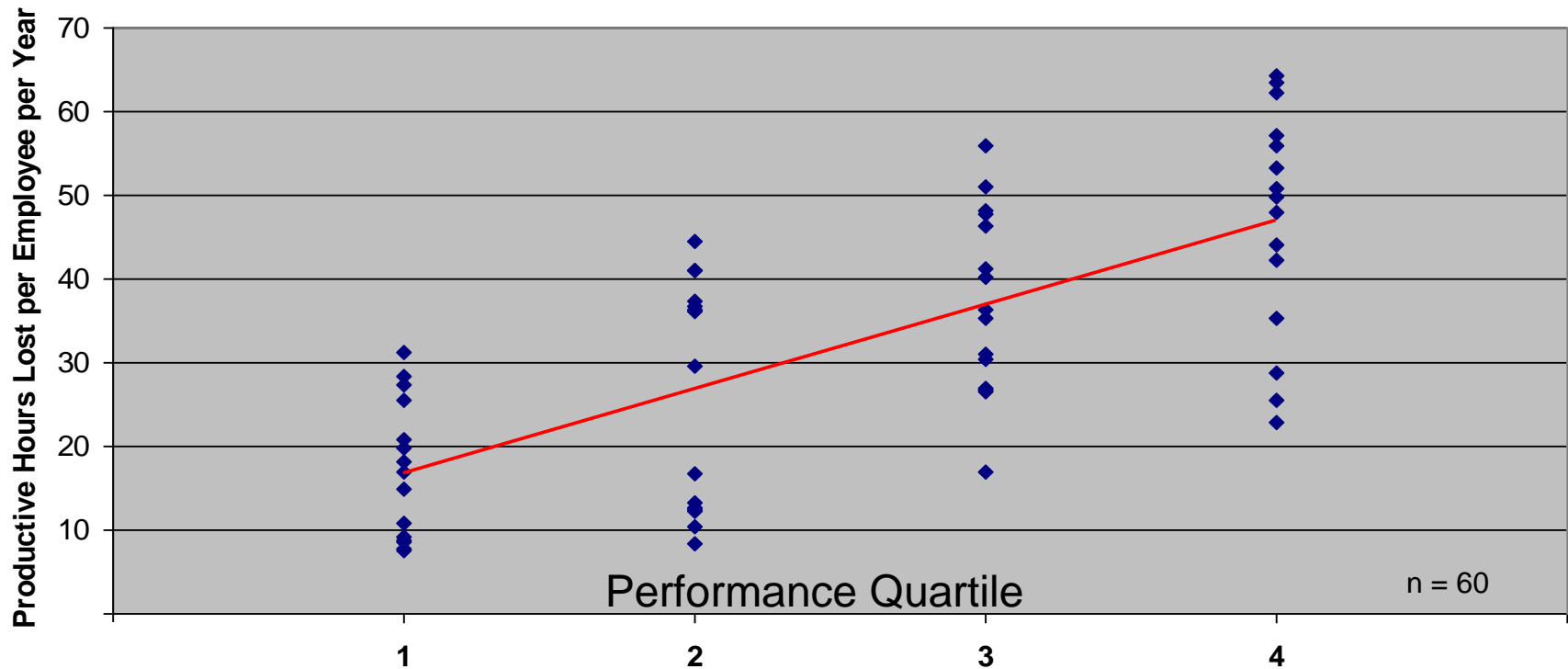
Shift Left Reduces Total Cost of Ownership



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

| | |
|--|--------------------|
| Annual Operating Expense | \$2,754,406 |
| Monthly Inbound Contact volume | 15,115 |
| Monthly Outbound Contact Volume | 3,707 |
| FTE Personnel Headcount | 27.25 |



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 |
| Monthly Total | 15,115 | \$229,510 |
| Annual Total | | \$2,754,120 |
| Annual Savings vs. Voice Only | | \$1,477,476 |



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 |

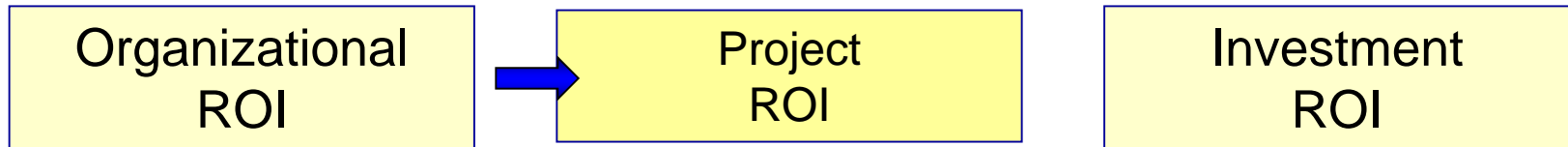


Total Estimated Service Desk ROI is 255%

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



Operational ROI: Are You Optimized?



- ❑ Is our Service Desk “profitable”?
- ❑ Is Desktop Support “profitable”?
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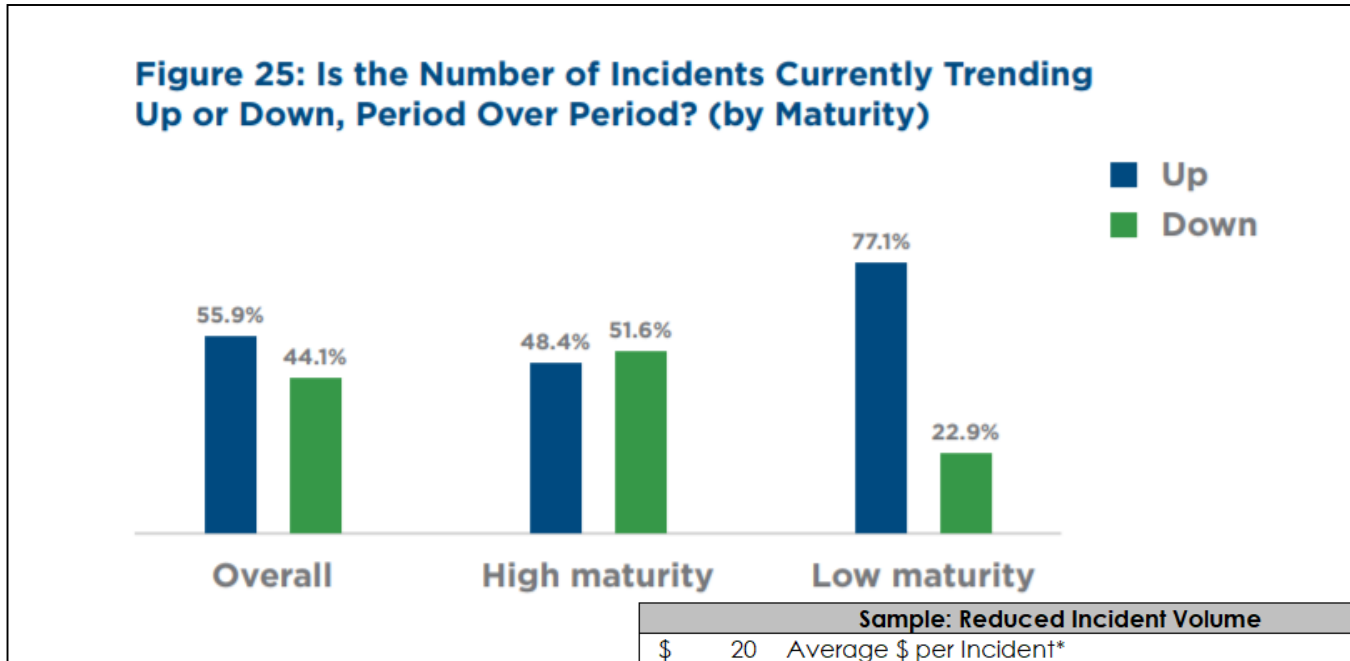
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ITSM Maturity Directly Impacts The Number of Incidents

Chart Source: HDI <http://www.thinkhdi.com/landing/~-/media/HDICorp/Files/Industry-Reports/state-of-todays-IT-2017.pdf>



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

*Source: Help Desk Institute
 Calculator Source: ITSM Academy
<https://www.itsmacademy.com/roi-calculator/>



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

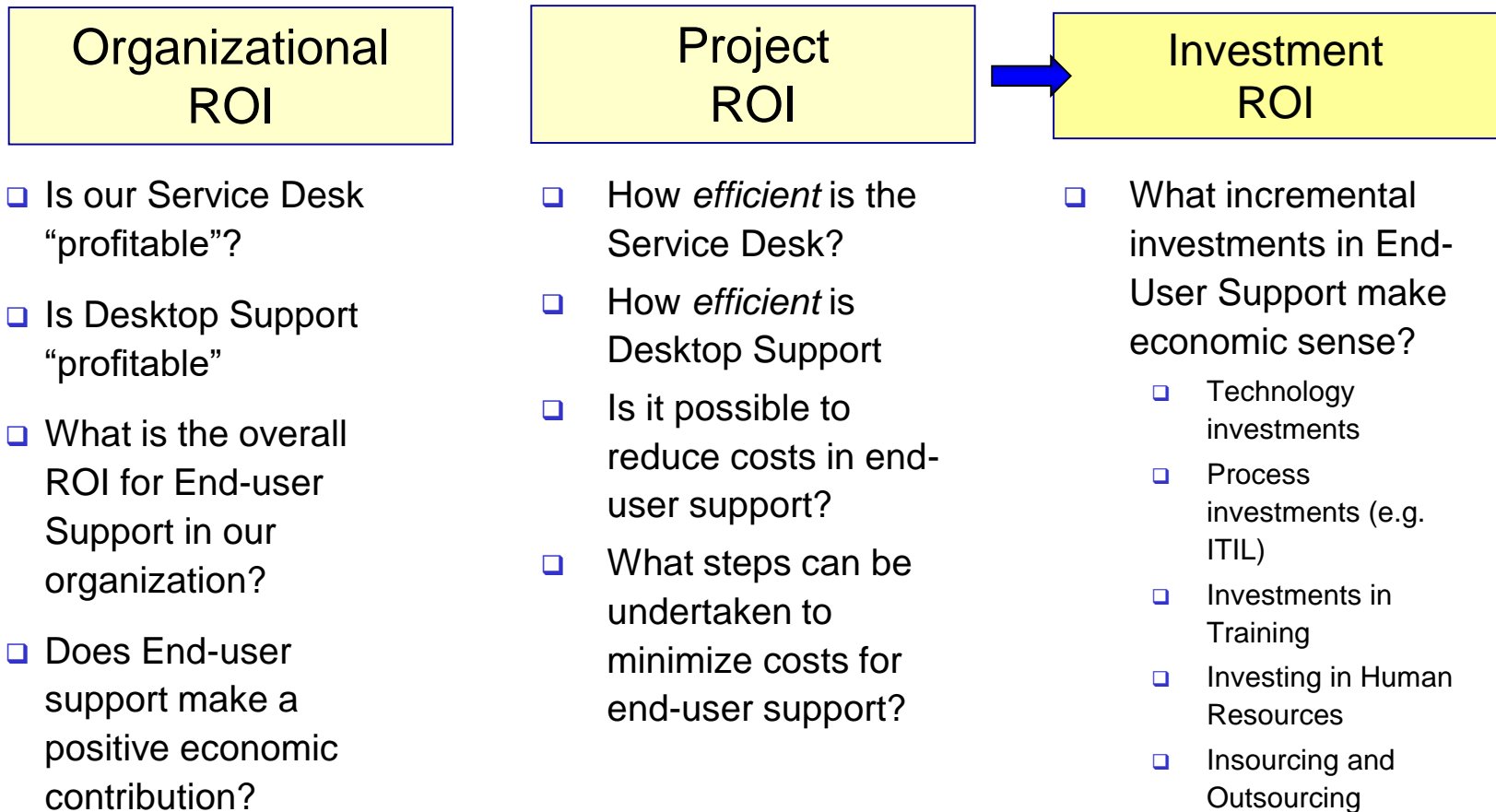
X 8,650 End-Users

=====

\$ 813,100 Estimated Savings from Root Cause Analysis



Investment ROI: Does the Investment Make Sense?



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 |

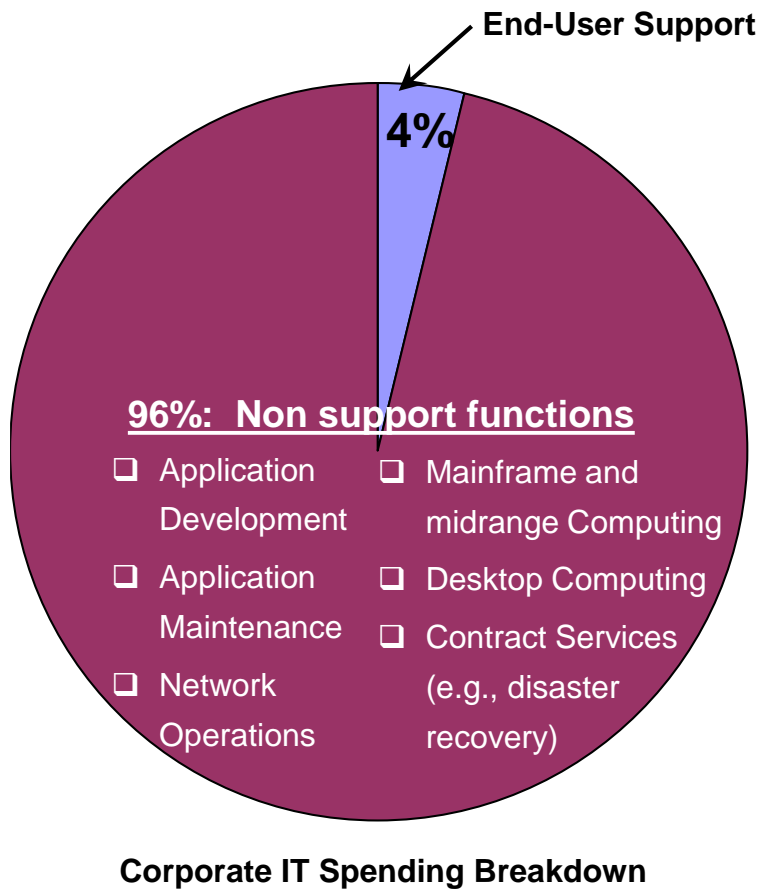


The Net ROI Was 285%

| | |
|--|-------------|
| 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



- ❑ 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

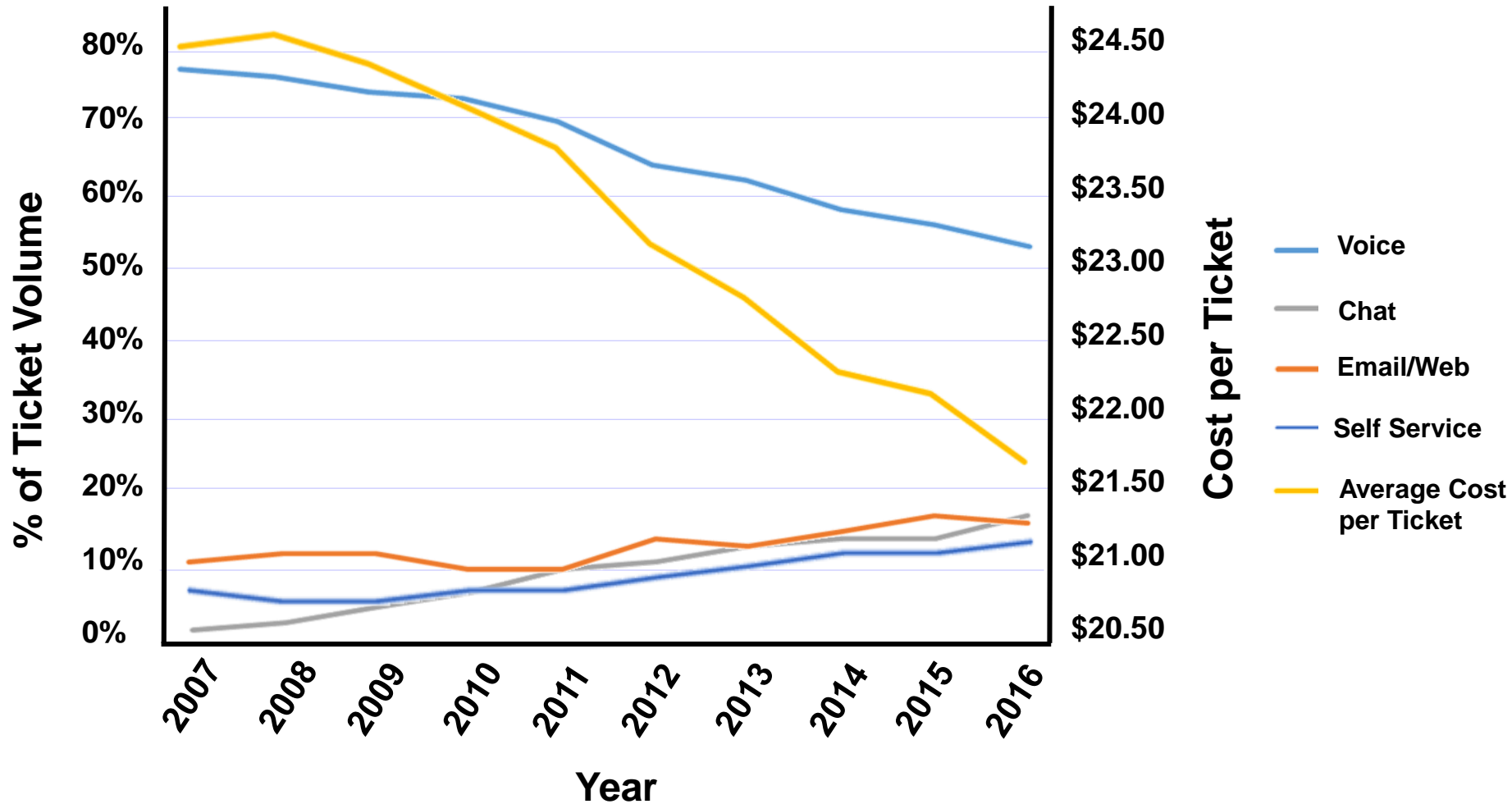
- ❑ The vast majority of service and support organizations operate as cost centers
 - They are expected to control costs, but are not expected to make any explicit financial contribution to the enterprise
- ❑ The focus in a cost center is on minimizing costs
- ❑ The focus in a Value Center is on maximizing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



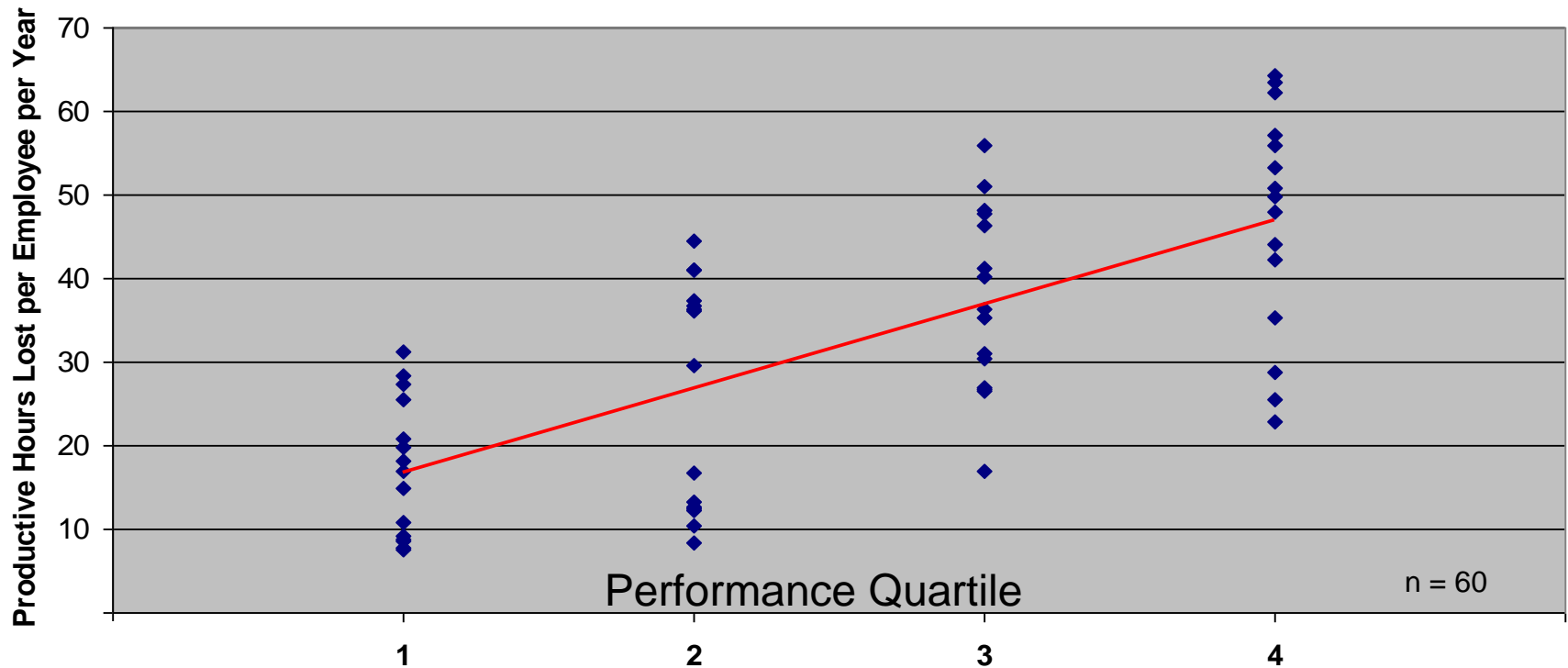
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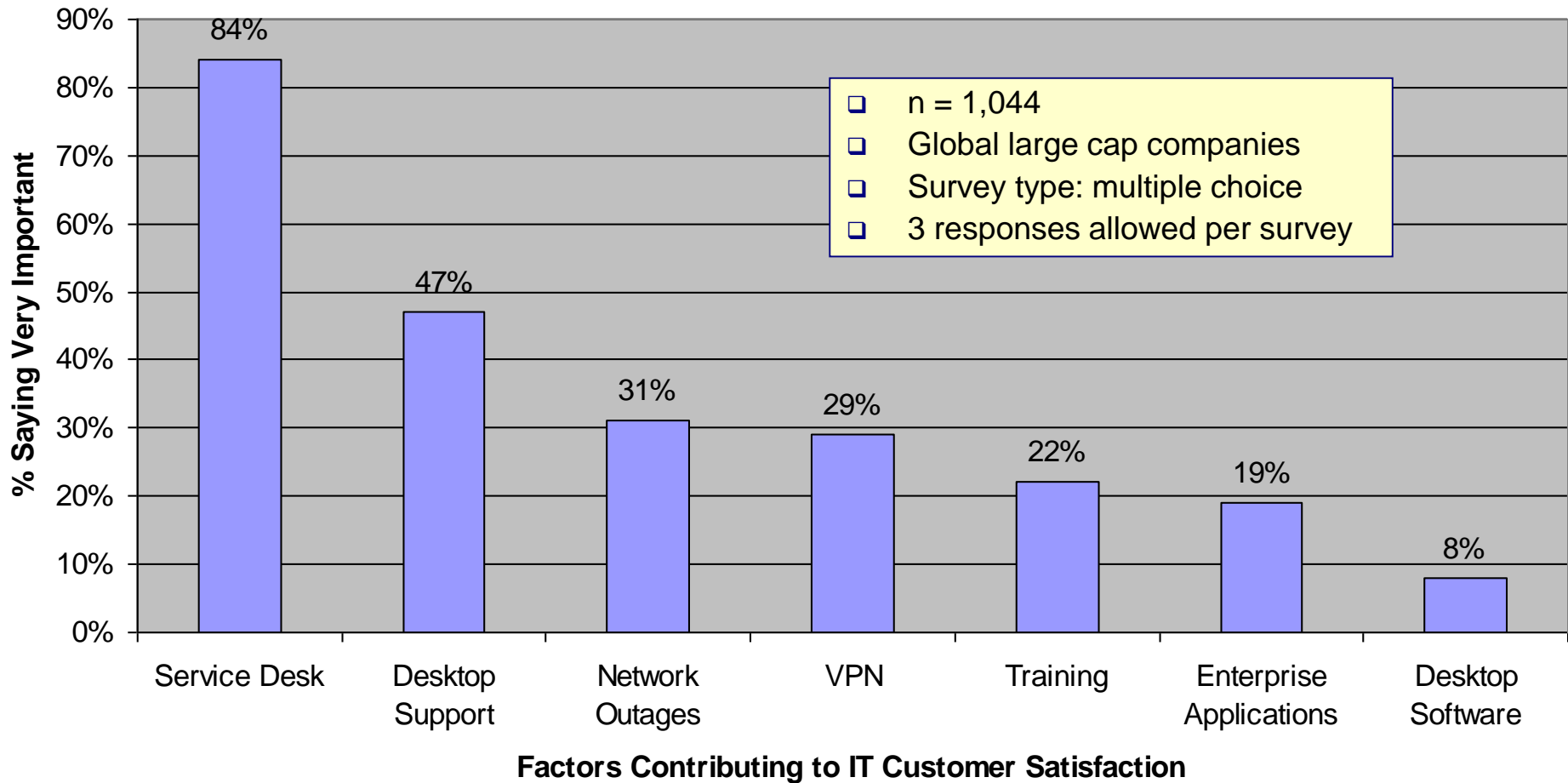
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Service and Support Drives Customer Satisfaction for *All* of IT



- 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?



MetricNet[™]
Performance Benchmarking



Thank You!



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Performance Benchmarking



About MetricNet

Your Benchmarking Partner



MetricNet™
Performance Benchmarking

Your Speaker: Jeff Rumburg



- Co Founder and Managing Partner, MetricNet, LLC
- Winner of the 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



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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.



Hertz



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Thank You!



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