The Economic Impact of Support: What's Your Value Proposition?

By Jeff Rumburg

Most IT departments can tell you how much they spend on support, but very few can quantify the economic impact of support. The result is that many support groups are on the defensive when it comes to budgeting and spending, and they often struggle just to get the funding needed to deliver adequate levels of support. In recent years, a handful of pioneering organizations have adopted a different strategy when it comes to support—a strategy that emphasizes value over cost—and they routinely deliver benefits far in excess of their costs. Support groups that understand and can quantify their value propositions stand to gain a number of important advantages. Chief among them is the ability to obtain funding and other resources based upon the economic benefits of the support they deliver.

The Dilemma of Technical Service and Support

I've spent more than two decades working in the technical service and support industry as a consultant, author, and speaker. Much has changed in the twenty-plus years since I first heard the term "help desk." But the one thing that hasn't changed is that most technical service and support organizations are still viewed and managed as cost centers. Simply put, a cost center is responsible for managing its costs, but it's not responsible for generating revenue, profits, or making investment decisions.

Being a cost center carries with it a number of negative connotations. It suggests that little, if any, intrinsic value is being created by technical service and support, and that it can't be trusted to use its resources wisely. It's therefore no surprise that many service and support organizations feel that they lack both adequate resources and the management commitment and backing to deliver consistently high-quality results. Moreover, support organizations that lack adequate resources tend to operate tactically, often lurching chaotically from one crisis to the next.

Fortunately, there *is* an alternative, a proven approach that can transform your tactical support group into a strategically focused organization that creates demonstrable value for the enterprise. But before you can embark on this transformation, you must understand and be able to clearly articulate the value proposition for technical service and support.

Your Value Proposition

What's your value proposition? If your organization is like most technical service and support organizations, you don't know because you haven't gone through the effort to define, quantify, and articulate one. A value proposition is comprised of three elements:

- A statement of the value that you create for the organization
- A quantification of that value
- A statement of your competitive advantage

The value proposition below has been framed and hung on the wall of a service desk at one of the largest banks in North America:

> *The XYZ Support Center is committed to quickly and efficiently resolving customer problems and service requests. We pledge to achieve measurable cost savings of at least two times our annual budget. We will do this while maintaining a 92 percent or higher customer satisfaction rating.*

There are several things worth noting about this value proposition. First, it's succinct: just forty-four words. Second, it's quantified: double the cost savings and 92 percent customer satisfaction is unequivocal. Third, they promise to measure their cost savings. Finally, the statement is bold; some would say audacious. It gets noticed!

The most important component of your value proposition is the quantified benefit of your service. Without it, your value proposition is likely to be dismissed as nothing more than marketing hype and platitudes. This is the key distinction between a value proposition, which explicitly quantifies economic value, and a mission statement, which does not.

So how do you quantify your value to the organization? Technical service and support creates economic value in at least four ways:

1. Reducing ticket volumes through technology and root cause analysis (RCA).
2. Improving end-user productivity by reducing incident resolution times.
3. Minimizing total cost of ownership (TCO) by maximizing level 1 resolution rates.
4. Mitigating the effects of downtime through planning, prevention, and aggressive remediation.

Perhaps the best way to demonstrate how a value proposition is quantified is with an actual case study. The insurance company in our case study operates a mid-size service desk with an operating budget of $4.8 million per year. The desk supports 8,190 users and handles 21,300 tickets per month. Through aggressive root cause analysis, over the course of a year this service desk reduces ticket volumes from 2.6 tickets per user per month to just 2.2 tickets per user per month. The table below summarizes the results of their RCA program.

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

At a savings of $94 per user per year, the total savings attributable to RCA is estimated to be $813,100 ($94 annual savings per user × 8,650 end users supported).

Technology can also reduce incoming contacts, and hence the cost of support. Password management tools are a perfect example. In North America last year, password resets comprised more than 20 percent of all contacts to the service desk. By adopting a password management tool, a typical service desk can eliminate at least half of the resets that would otherwise be completed by a live agent. This amounts to real savings for any support organization!

Now let's take a look now at how service and support can make end users more productive. The majority of today's workforce is comprised of knowledge workers, all of whom rely upon one or more computing devices to do their jobs. When these devices break down or don't function properly, employee productivity suffers. By preventing these incidents from occurring, and by quickly resolving issues when they do occur, a support organization can return productive hours to the workforce.

A study conducted by MetricNet (summarized in the figure below) concluded that knowledge workers lose an average of thirty-three hours of productive time per year due to various outages, breakdowns, and hardware and software failures. For support groups performing in the top quartile of the industry, the lost productivity per worker is just seventeen hours per year, or just about half the industry average. By contrast, employees who receive support from bottom quartile support groups lose an average of forty-seven productive hours per year.

The difference between the top- and bottom-quartile performers is a staggering *thirty hours per employee per year*! Put another way, support organizations in the top quartile are able to return nearly *four extra days* of productivity annually for every knowledge worker in the enterprise. When multiplied by thousands or even tens of thousands of employees in a company, the productivity gains and ROI delivered by a top-performing support organization can be tremendous!
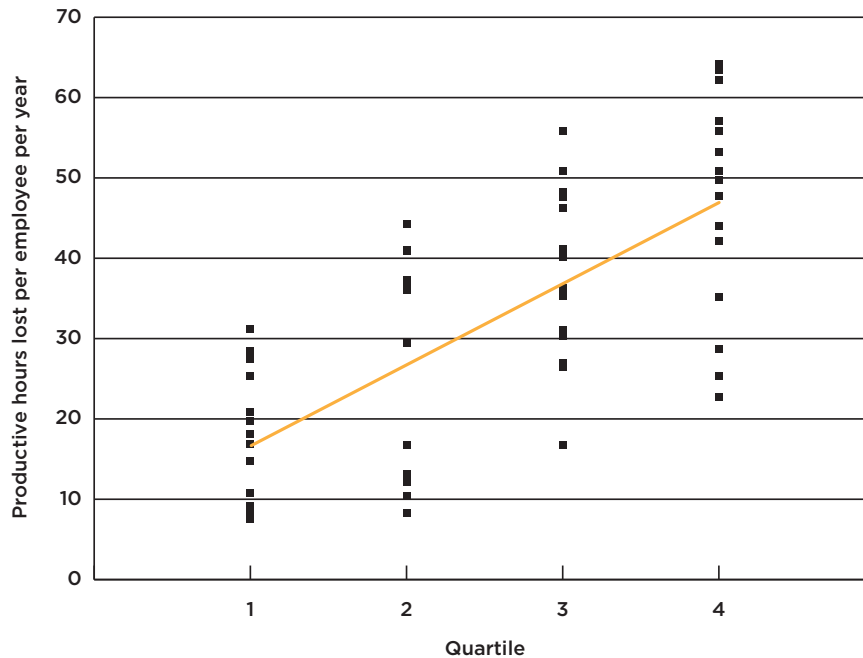
SUPPORT FUNCTION	KPI	PERFORMANCE QUARTILE			
		1	2	3	4
SERVICE DESK	Customer satisfaction	93.5%	84.5%	76.1%	69.3%
	First contact resolution rate	90.1%	83.0%	72.7%	66.4%
	Mean time to resolve (hours)	0.8	1.2	3.6	5.0
DESKTOP SUPPORT	Customer satisfaction	94.4%	89.2%	79.0%	71.7%
	First contact resolution 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

Let's apply these numbers to the insurance company in our example. We know from benchmarking this company that they are a top-quartile technical service and support organization. We also know that the difference in lost productivity between a top-quartile organization and an average performer is about sixteen hours per user per year (33 hours of lost productivity for an average company – 17 hours of lost productivity for a top-quartile performer). When multiplied by 8,650 end users, we can estimate a total labor savings of 138,400 hours per year (16 hours per year saved × 8,650 end users). The average work year has about 1,700 productive hours in it, so this labor savings is the equivalent of eighty-one FTEs (138,400 hours per year saved ÷ 1,700 work hours per FTE per year). Finally, we know that the average cost per employee in the insurance company is $79,300, including salary and benefits. The economic value of being a top-quartile support group is therefore about $6.4 million annually (81 FTEs × $79,300).

The third source of quantifiable value is the result of reducing support costs by maximizing level 1 resolution rates. Recent benchmarks show that the average level 1 resolution rate for North American service desks is about 82 percent. What this means is that 18 percent of all tickets that could and should have been resolved at level 1 are transferred or escalated to another source of support for resolution. These unnecessary escalations represent defects in the support process, and result in increased costs that often go unnoticed because they're rarely tracked. Please note that level 1 resolution is not the same thing as first contact resolution. Level 1 resolution is the number of tickets resolved by the service desk divided by all tickets that can potentially be resolved by the service desk, regardless of whether the ticket is resolved on first contact or not.

As shown in the figure below, the cost of resolution increases with each successive transfer to a higher level of support. The insurance company in our case study had an impressive 93 percent first level resolution (FLR) rate. That is 11 percent higher than the industry average, and equates to resolving an additional 25,212 tickets per year at level 1 over the industry average ([93% FLR – 82% FLR] × [19,100 tickets/month × 12 months]). If we multiply this by the difference in cost between tickets resolved at level 1 and tickets resolved at level 2, we can estimate a cost savings of $1,008,480 per year (25,212 tickets per year × $40 per ticket).

	SUPPORT LEVEL	COST PER TICKET
	Vendor Support	$471
	Field Support	$196
	Level 3 Support (e.g., apps, NOC, networking, etc.)	$85
	Level 2 Support (Desktop Support)	$62
	Level 1 Support (Service Desk)	$22

Once again, technology can play a role in reducing an organization's service and support costs. Knowledge management and remote diagnostic tools are among the most common technologies used to improve level 1 resolution rates and reduce TCO.

I have deliberately not quantified the fourth source of economic value for IT support—the mitigation of unplanned downtime—because I've yet to find a reliable methodology for estimating this impact. Nevertheless, it's important to acknowledge this source of value, and to actively engage in strategies that reduce unplanned downtime. These include, but are not limited to, disaster recovery drills, proactive/outbound user notifications for major downtime events, and recorded messages that inform inbound callers that service and support is aware of and working to resolve any major issues.

To conclude our case study, let's sum up the economic value delivered by the service desk at the insurance company. We have the following estimated cost savings:

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\begin{array}{rl}
& \$0.8 \text{ million saved through root-cause analysis} \\
+ & \$6.4 \text{ million in returned productivity to end users} \\
+ & \$1 \text{ million saved by maximizing level 1 resolution} \\
\hline
& \text{TOTAL SAVINGS} = \$8.2 \text{ million annually}
\end{array}
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With an estimated cost savings of $8.2 million and an annual operating budget of $4.8 million, this support organization is indeed producing economic value far in excess of its costs.

The Value Proposition Challenge

If your organization is like most support organizations, operating without an explicit value proposition, I strongly encourage you to develop one. However, having a strong value proposition, by itself, is not enough. You must also effectively communicate your value proposition to key stakeholders, particularly IT management. Moreover, your message must be bold enought to get noticed and persuasive enough to overcome any internal resistance to change. While this may take some out of their comfort zones, the alternative—a tactical, subsistence-level support organization—should be motivation enough to overcome any hesitance you may have about aggressively communicating your value proposition. This is crucial if you wish to transform IT service and support from a tactical cost center into a strategic source of value creation for the enterprise.

About the Author

Jeff Rumburg is the cofounder and managing partner at MetricNet and a member of the HDI Strategic Advisory Board. Jeff has been retained as a benchmarking expert by such iconic companies as American Express, HP, and General Motors. Previously, he was the president and founder of The Verity Group, an international management consulting firm specializing in service desk and call center consulting, and has held executive positions at META Group and Gartner, Inc. He received his MBA from Harvard University and his MS in operations research from Stanford University.