



METRICS THAT MATTER:

AN INTELLIGENT APPROACH FOR IT SERVICE PROVIDERS

New Survey Shows Best-In-Class IT Service Providers
Take A Data-Driven Approach To Decision Making



A recent survey indicates that successful IT service providers are increasingly realizing that their business data is the most powerful tool in their toolbox. Specifically, businesses with a better grasp on core metrics and key performance indicators (KPIs) find themselves able to make accurate, fact-based decisions, meet realistic staff utilization goals, and recognize trends and market opportunities.

The *IT Service Provider Benchmarking Study*, conducted in February 2013 by Decision Tree Labs on behalf of Autotask Corporation, found pronounced trends toward the use of integrated business management systems that enable greater efficiencies and support fact-based decision-making among independent technology solution providers. Moreover, the research indicates that businesses tracking KPIs, including account and contract profitability, billable hour utilization rates and customer satisfaction have a more accurate understanding of their overall firm performance, market opportunities and market trends.

THE IMPORTANCE OF METRICS

Ninety percent of responding service providers report using some form of business management platform to run their operations more efficiently and to automate data collection and other tasks. Increasingly, best-in-class providers actively capture these KPIs to make more accurate decisions, meet internal utilization goals, and achieve business growth.

Respondents using business management platforms were more likely to deploy and support a broader range of technology solutions for their clients than firms who do not, and to include managed services in their client engagements, from remote monitoring and management, and back-up and disaster recovery, to email services and protection.

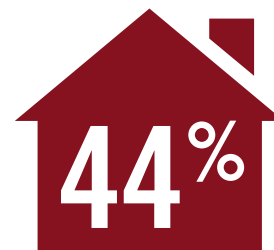
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WHERE THE GROWTH IS

The largest segment of respondents, 44%, reported that small businesses made up the majority of their client base in 2012. Many, 48%, see midmarket (businesses with between 25 and 99 employees) as the most potential for growth in 2013.

Across all sectors, the majority of survey respondents reported revenue growth projections between 5% and 15% for 2013. However, those who regularly track data and report using a business management platform were more likely to raise that bar, with more than 60% of service providers using a business management tool forecasting revenue growth of 15% or higher in 2013.



of IT service providers say more than half of their business currently comes from small businesses



of IT service providers say midmarket will represent their biggest growth in 2013



**IN TERMS OF GROWTH IN DEMAND FOR SERVICES,
RESPONDENTS REPORTED THE GREATEST POTENTIAL
STEMMING FROM:**

- **Expansion of cloud and hosted applications**

There was strong recognition among all respondents that cloud-based platforms and hosted applications will create increased demand for their services.

- **Added demands on end-user networks**

The demands on clients to support more, and more varied, devices and applications, along with increased recognition of the need for greater physical security of their networks, are cited as expanding opportunities for service providers.

- **Mobile Device Management (MDM)**

Mobile connectivity and applications, and MDM, are becoming increasingly important for end-clients, and are driving expectations for growth among all respondents.

- **Bring Your Own Device (BYOD), Bring Your Own Application (BYOA)**

Respondents also cite the rapid increase in client employees using personal devices for work and the consumerization of IT, as creating demand for additional services.

Collecting essential business health and management metrics helps leadership teams make informed decisions about their companies.



MEASURING WHAT MATTERS

For IT service providers to benefit most from the power of measuring KPIs, they must understand which data points are most relevant to their businesses. Measuring areas that don't contribute to developing an understanding of the business, its strengths, weaknesses and growth potential, can divert time and resources better spent elsewhere.

Collecting essential business health and management metrics helps leadership teams make informed decisions about their companies. Such areas include the true value of solutions and services delivered, emerging client needs, contract profitability, and factors driving clients' business decisions. Creating an accurate portrait of a firm's strengths and weaknesses requires examination of internal KPIs, such as employee performance, and external KPIs like customer satisfaction.

Survey findings indicated that these five focus areas correlate with a positive impact on the business:

1. Efficiency

Measuring efficiency helps IT businesses understand where they may be wasting time, resources and money. Businesses using integrated business management platforms, including professional services automation (PSA) tools, appear to have several advantages, since such platforms make capturing and analyzing relevant metrics easier.

At the most basic level, data tracking and service management tools allow IT businesses to create centralized repositories for their business information, including client and prospect data, service history, SLA performance, project status and contract compliance, and provide managers and other employees with a more complete view of operational efficiency.

LOSING
UP TO
20
PER MONTH



- 66% OF SERVICE PROVIDERS ARE LOSING UP TO 20 HOURS PER MONTH ENTERING DATA INTO MULTIPLE SYSTEMS
- 61% ARE LOSING UP TO 20 HOURS PER MONTH BECAUSE THEY ARE UNABLE TO ACCURATELY CAPTURE BILLABLE TIME
- 59% ARE LOSING UP TO 20 HOURS PER MONTH AS THEY STRUGGLE TO MAINTAIN DISPARATE SYSTEMS
- 23% ARE LOSING BETWEEN 20 AND 50 BILLABLE HOURS PER MONTH DUE TO THEIR INABILITY TO OPTIMALLY SCHEDULE EMPLOYEES AND BALANCE THEIR TIME



Among companies using a business management platform, nearly 90% report that at least half of their employees use the system on a regular basis, helping ensure that ongoing data capture becomes a regular part of day-to-day operations.

In addition, purpose-built business management platforms can help service providers automate business processes, prevent duplicate data entry, and more efficiently manage their employees and resources.

2. Predictability

Predictability metrics allow an IT service provider to maintain proper staffing levels, plan its resources, and project future changes to their business. These KPIs typically include service delivery costs, current and projected revenue streams, and billable employee utilization rates.

One important observation from the study was the migration toward managed services, which by nature flatten revenue and provide a level of certainty and consistency in cash flow for IT service providers. Metrics-focused users saw the most potential for growth in managed service contracts. Overall, business management system users were more likely to see the value in managed services and block hour contracts, while those who did not use a system were more likely to place value on incident purchases, time and materials (T&M) and time and expense (T&E) contract types.



3. Employee Utilization

Understanding and achieving appropriate employee utilization rates is essential for ensuring optimal operations, cost control and planning for more efficient growth.

In a February 2013 webinar discussing the results of its *2013 Professional Services Maturity Benchmark Study*, which tracks a wide variety of metrics for professional services organizations, Service Performance Insight (SPI) suggested that the optimal utilization rate for employees of the highest performing professional service organizations is approximately 80%. SPI concludes that this level helps ensure strong fiscal performance while reducing burnout and attrition, and provides the time required for necessary planning, training and other administrative tasks.

A majority of respondents using an integrated business management system report targeting 80% utilization for their billable employees, versus 90% for those not using such a system. This may indicate a more accurate understanding of employee deployment and effectiveness among businesses that regularly gather and analyze utilization data.

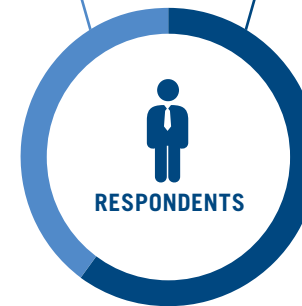
Not Using a PSA

38%

reported billable
hourly rates of

\$101+

VS.



Using a PSA

60%

reported billable
hourly rates of

\$101+

- Using Business Management Platform
- Not using Business Management Platform

When it comes to billing for their time, 60% of respondents using a business management platform reported billable hourly rates of \$101 or more, compared to 38% of firms not using such tools.

In addition, IT service providers with integrated business management are also more focused on managed service contracts as an area of growth (65.9% vs. 53.1%) – an area that is less dependent on billable hours than delivering consistent value to the customer.

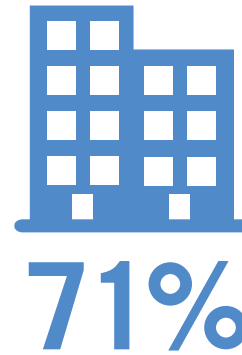


4. Client Satisfaction

Eighty-five percent of IT service providers rank customer satisfaction as a high-priority metric related to the health of their businesses. However, there is still a disconnect in this area, as the emphasis on satisfaction is not reflected in how they determine their most valuable customers – only 10% actively measure customer satisfaction as a metric and only 9.5% ranked themselves as “excellent” in gathering customer data.

Client renewal rates were significantly higher (71.0% measuring 90% or more annual contracts renewed) among those companies using a business management system than other respondents (53.8% at 90% or more annual renewals).

Customer satisfaction data can be captured in a number of different ways, including interacting directly with technicians, tracking call center data, surveying and other methods. Analyzing customer feedback can reveal service delivery problems that need to be addressed, leading to improved customer satisfaction, greater value to clients and higher contract renewal rates.



Of companies using a business management system

Achieve



90%

Annual contract renewal rates

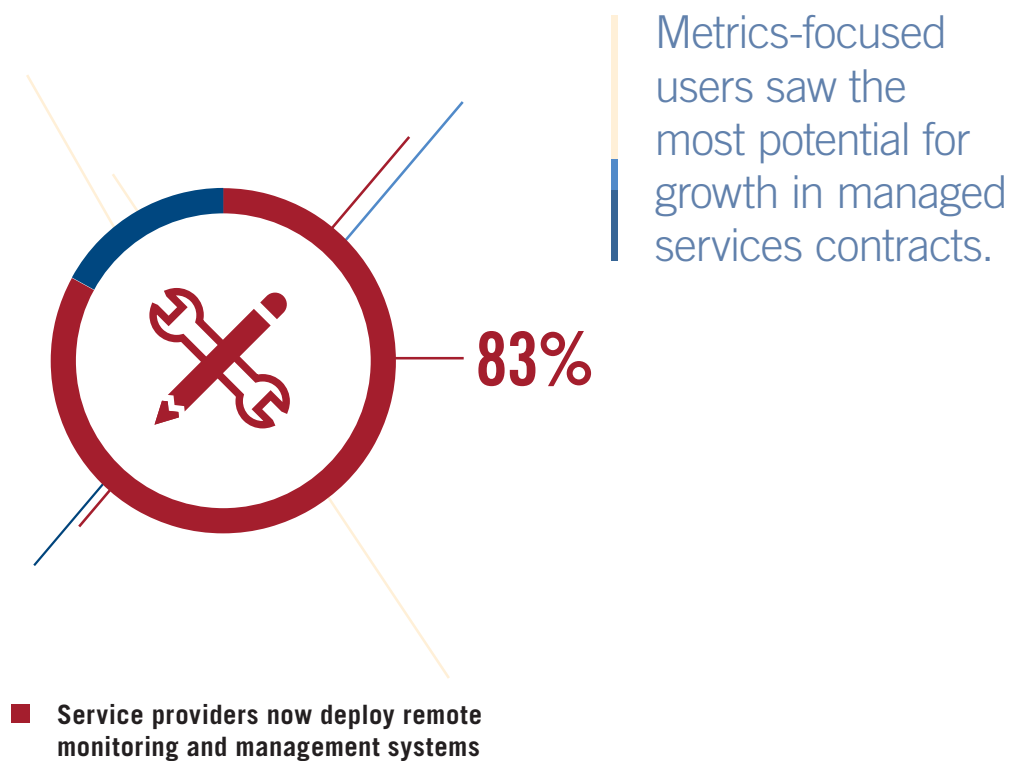
Data tracking and service management tools allow IT businesses to create centralized repositories for their business information.

5. Profitability

Ultimately, the focus on a metrics-based approach is helping service providers identify growth opportunities among existing customers, increase staff efficiency and focus on more profitable areas such as managed services. Illustrating this trend, 83% of the service providers surveyed said they are now deploying remote monitoring and management tools, and 73% offer cloud/virtualization services.

Thirty-two percent of respondents reported that their clients' desire to move technology budgets from CapEx to OpEx was one of the top reasons for the shift.

By integrating and automating tasks and data that traditionally run on disparate systems, such as invoicing, help desk, contracts and CRM, service providers are increasing their billable hours and overall productivity. Illustrating the trend toward integration, 48% of respondents said they now have automated quoting and procurement in place.



CONCLUSION

Best-in-class service providers are applying business data and analytics to increase efficiency and predictability in their business operations, ensure higher customer satisfaction, optimize utilization rates, and make other improvements to drive profitability and growth.

Survey results indicate that solution providers who use an IT business management platform are more likely to gather, analyze and use business metrics and KPIs, and to target clients and contract types that best suit their own goals for success.

ABOUT THE SURVEY

The *IT Service Provider Benchmarking Study*, conducted in February 2013 by Decision Tree Labs and commissioned by Autotask, includes feedback from 229 respondents. The industries represented by those surveyed include: Managed Service Providers, 54.8%; IT Service Providers, 29.6%; Value-Added Resellers, 7.0%; Other, 7%; and Independent Software Vendors, 1.6%.





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About Autotask

Autotask Corporation provides the world's leading hosted IT business management software to streamline and optimize business processes for technology solution providers. The software integrates a broad range of critical business systems, including customer relationship management (CRM), service desk, tech scheduling, project management, billing and reporting and provides real-time service delivery intelligence to help users understand the factors that drive their business and their profitability.

Autotask is accessible from virtually any computing or mobile device connected to the Internet and features a world-class API that seamlessly integrates with the other systems and tools that providers rely on to run their businesses. Learn more, autotask.com