

Service Benchmarking and Measurement

Using Metrics to Drive Customer Satisfaction and Profits

June 2009

Bill Pollock

Executive Summary

The ability to measure, monitor, assess, and track KPIs is critical to any organization's ability to manage its service operations. Some may use only the most basic, or standard, service KPIs (such as Mean Time to Repair, or MTTR), while others have developed more sophisticated metrics to hone in on the most critical areas reflecting service performance (such as field workforce utilization). This report reveals how Best-in-Class firms distinguish themselves from all others by routinely benchmarking and measuring their service performance; implementing effective measuring, monitoring and tracking systems; integrating service KPIs with companywide CRM or ERP systems, wherever possible; and establishing a formal process for automatically collecting and disseminating data.

Best-in-Class Performance

During May 2009, Aberdeen conducted a research survey of more than 150 service professionals engaged in the use of KPI / metrics benchmarking and measurement programs at their respective companies. The three key performance criteria that may be used to distinguish Best-in-Class firms are:

- 88% customer satisfaction rate
- 60% service profitability
- 15% increase in workforce productivity over the last 12 months

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance are:

- 50% more likely than Industry Average to use KPIs / metrics to measure, manage, and reward service delivery performance
- More than twice as likely as Industry Average to have an enterprise-wide performance management strategy and processes in place
- Two-thirds (67%) more likely than Industry Average to have a centralized service performance database / repository

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, service organizations must:

- Adopt an enterprise-wide performance management strategy and associated business processes
- Establish a program of KPIs / metrics that align directly with business goals
- Implement a formal KPI / metric benchmarking measurement process – and use the results as a roadmap for improving service performance

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations.

“There is no one ‘most important’ metric, as there is a blend of metrics you need to grow and scale.”

~ Dan Adams, Director of Support Services, Hobsons

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Chapter One: Benchmarking the Best-in-Class

Business Context

There are numerous definitions of the KPIs that service organizations may use to manage their respective service operations. However, regardless of which definitions are adopted, the following factors should always be taken into account:

- The KPIs must reflect, and relate directly to, the organization's service performance goals
- They must be quantitative and quantifiable
- They must be linked directly to the measurement of the organization's success

Based on the findings from Aberdeen's June 2008 report, [*Field Service Scheduling and Routing: A Guide to Service Delivery Excellence*](#), Best-in-Class service organizations measured and tracked several KPIs including meeting promised response times, first-time fix, workforce utilization, workforce efficiency, (average daily performance in calls completed / total calls assigned) and Mean Time to Repair (MTTR), among others. This updated research shows how the decision to use specific KPIs is made, how they ultimately are used, and what benefits are realized by the company through their ongoing use.

First and foremost, the KPIs must relate directly to the organization's stated goals. These are the metrics against which the organization will be driven to perform in order to measure its success over time. For example, if the organization's primary goals are to have the field engineer arrive at the customer site as quickly as possible, complete the repair within the contracted time, and leave the customer completely satisfied, then it should be using KPIs that reflect Average Time to Respond (ATR), MTTR, and various other customer satisfaction metrics and indices. However, if its goals are more focused on field workforce utilization and spare parts availability, then it should be focusing on KPIs addressing the number of service calls handled per field engineer / per day, average time per call, parts availability, and other related metrics.

The KPIs used must also be quantitative and quantifiable. The standard rule of thumb is "if you can't measure it, you can't manage it." What this means is that it may be extremely difficult to measure service performance if the desired targets are not quantitative in nature. For example, if the goal is to improve customer satisfaction from "good" to "very good," it may be difficult to objectively distinguish one level from the other. Only by quantifying the KPI used to measure customer satisfaction in this case (e.g., 85% customer satisfaction rating), will the organization be able to determine whether it is attaining its goals or not.

Fast Facts

- √ Best-in-Class service organizations attain more than twice the average annual service profitability of Industry Average firms (60% versus 26%), and four-times as much as Laggard firms (15%)
- √ Best-in-Class firms attain five-times the year-over-year workforce productivity of Industry Average firms (15% versus only 3%; and 0% for Laggards)
- √ Best-in-Class firms are 55% more likely than Industry Average firms to presently have a CRM system implemented (90% versus 58%)
- √ Best-in-Class firms are 58% more likely than Industry Average firms to presently have Business Intelligence / Analytics implemented (60% versus 38%)
- √ Best-in-Class firms are 77% more likely than Industry Average firms to presently have Asset Management and Tracking system implemented (62% versus 35%)
- √ Best-in-Class firms are 69% more likely than Industry Average firms to have had a KPI or metrics measurement system implemented for five years or more (61% versus 36%)

Finally, the KPIs must be linked directly to the specific measures of the organization's success. Simply tracking data over time and reporting it back to management is not useful if the data itself is not meaningful to the measure of success. For example, using KPIs to track employee attendance may be of use to the Human Resources department, but may not be directly relevant to the measure of the service engineer's performance in the field. While these KPIs may be important to HR, there are other more important metrics that may be used instead to measure field engineer performance (e.g., number of calls per engineer per week, first-time fix rate).

Market Pressure

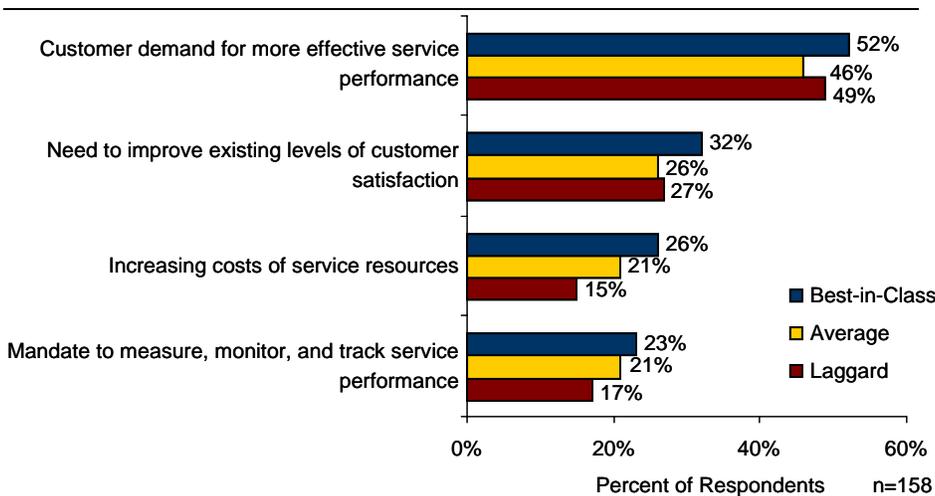
The single greatest market pressure driving service benchmarking and measurement today is customer demand for more effective service performance, cited by a small majority (52%) of Best-in-Class firms, and just under one-half each among Industry Average (46%) and Laggard (49%) firms. As such, approximately one-half of all respondents surveyed, regardless of maturity class of service organization, believe they are facing the greatest market pressure from the customer, rather than any other factor (e.g., cost, financial, economic).

Other market pressures cited include the need to improve existing levels of customer satisfaction (32% for Best-in-Class, compared with 26% for Industry Average and 27% for Laggards); increasing costs of service resources (26% for Best-in-Class, compared with 21% for Industry Average and 15% for Laggards); and the mandate to measure, monitor, and track service performance (23% for Best-in-Class, compared with 21% for Industry Average and 17% for Laggards). Thus, the top two market pressures currently being faced by all classes of service organizations are customer-driven, while the next two factors are associated with either service costs or the need to measure, monitor, and track service performance.

“I have found that companies continue to make the same mistakes over and over again. They think converting their service to a profit center is about making more revenue. Revenue is only the tip of the iceberg. If you do it right, you affect the entire product value stream by pushing costs back into areas that have never been held accountable for improving.”

~ Michael Olmsted, VP Outside Operations, Satisloh, North America

Figure I: Drivers for Service Benchmarking and Measurement



Source: Aberdeen Group, June 2009

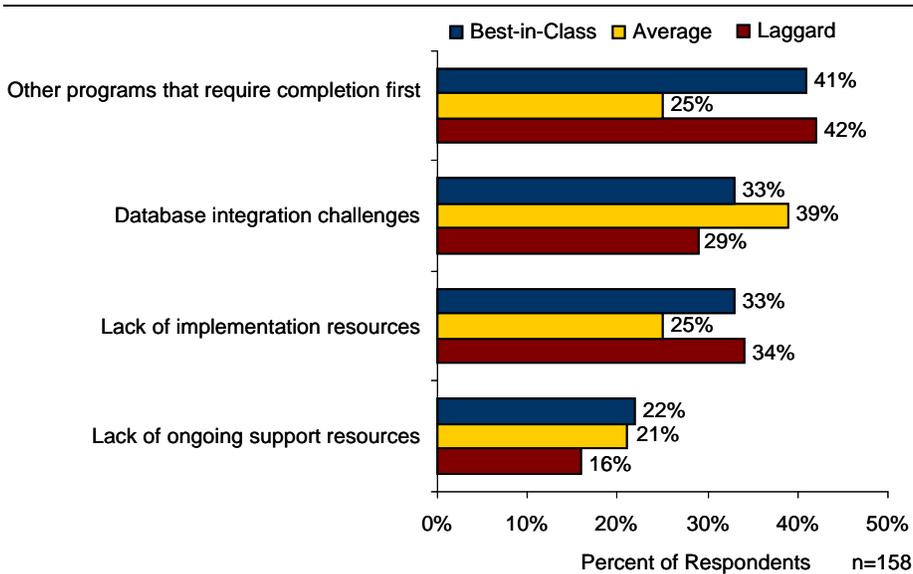
These market pressures ultimately result in a number of additional challenges that service organizations must also face. However, the top challenge that service organizations face with respect to service benchmarking and measurement is not so much related to the need, usefulness, or application of service KPIs or metrics, but rather to the ability to channel the necessary resources to support such a program. For example, 41% of Best-in-Class organizations cite other programs that require completion before a KPI / service metrics initiative can begin as their most significant challenge, compared with 25% of Industry Average and 42% of Laggard firms.

Further, either lack of implementation resources (33% for Best-in-Class, 25% for Industry Average and 34% for Laggards) or database integration challenges (33% for Best-in-Class, 39% for Industry Average and 29% for Laggards) are also cited as key challenges. Lack of ongoing support resources is typically cited as the next most critical challenge, ranging from 16% to 22% across the classes. Anticipated development cost is only cited by 13% to 21% across classes.

“We are a captive unit of our parent organization which is U.S. based. By using metrics, we have been able to reinforce our contribution to the overall organization’s goals. The second benefit we have seen is the identification of continuous improvement initiatives via Lean and Six sigma programs. The third benefit we have seen is the energy it creates in the teams when they work on continuous improvement initiatives.”

~ Chandramouli Jayaraman,
Director Operations, Fidelity
Business Solutions India

Figure 2: Top Challenges to Benchmarking and Measurement



Source: Aberdeen Group, June 2009

“I continue to look for any process that I can measure. We are not very mature in our Service Lifecycle and have very few metrics in place.”

~ Michael Olmsted, VP Outside
Operations, Satisloh, North
America

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. These included current customer satisfaction, service profitability and the most recent 12-month change in workforce productivity (i.e., average calls completed daily). By using these parameters, the main distinctions between and among the three classes of service organizations is very clear, as evidenced in Table I.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 88% customer satisfaction ▪ 60% service profitability ▪ 15% increase in workforce productivity over the last 12 months
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 83% customer satisfaction ▪ 26% service profitability ▪ 3% increase in workforce productivity over the last 12 months
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 69% customer satisfaction ▪ 15% service profitability ▪ 0% increase in workforce productivity over the last 12 months

Source: Aberdeen Group, June 2009

Best-in-Class firms reflect a modest five-point advantage over Industry Average firms, and a more substantial 19-point advantage over Laggards with respect to current customer satisfaction ratings. However, the main differentiators between Best-in-Class and all others are evidenced in terms of:

- Service profitability, where Best-in-Class firms have a better than two-to-one advantage over Industry Average firms (60% for the former, compared with 26% for the latter, and only 15% for Laggards); and
- Change in workforce productivity (i.e., average calls completed daily) over the last 12 months (15% increase for the former, compared with only 3% for the latter, and no increase for Laggards).

Overall, Best-in-Class firms boast customer satisfaction ratings approaching 90%, service profitability of 60%, and a 12-month workforce productivity improvement of 15%. These metrics are head and shoulders above what the Industry Average and Laggard firms have been able to accomplish, primarily on the basis of stronger internal capabilities and greater reliance on the variety of technology enablers available to them. Accordingly, Best-in-Class are the only class of service organizations that have been able to successfully leverage these capabilities and enablers into the ability to keep their customers satisfied and improve year-over-year workforce productivity, all while generating appreciably high levels of service profitability.

The Best-in-Class PACE Model

Aberdeen's proprietary Best-in-Class PACE model is built on a framework designed to highlight and compare the key strategies and capabilities employed by firms that attain Best-in-Class status. This status is gained

“[Service KPIs / metrics] provide transparency and clarity for us and our clients.”

~ Andrew Hiles, Managing Director, Kingswell International

“As in business in general, agility is key and, thus, aligning your KPIs to the ever-changing environment is a must. For us, the key KPIs are customer satisfaction and cost of service, but the detail behind these is what gives you the competitive advantage. Measure customer satisfaction and current business pain points, and measure cost of service in as holistic a model as possible.”

~ Global Returns Manager, Large Global High Tech IT Company

through their excellence in facing the market pressures head-on, taking the appropriate actions in dealing with these pressures, utilizing their existing capabilities, and leveraging the appropriate mix of enablers (i.e., technologies, partners) to attain their target goals and objectives. As such, the PACE model serves as a roadmap for all others to replicate the strategies employed – and the capabilities developed, enabled and executed – by Best-in-Class firms to improve their performance along the lines of the key performance indicators and metrics.

Using service benchmarking and measurement tools to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows in Table 2:

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Customer demand for more effective service performance 	<ul style="list-style-type: none"> ▪ Establishing KPIs / performance metrics that align directly with business goals ▪ Establishing, or enhancing, a real-time service performance measurement and tracking capability 	<ul style="list-style-type: none"> ▪ Formal process for using KPIs / metrics to measure, manage and reward service delivery performance ▪ Ability to take corrective actions and / or make improvements to service operations based on KPI / metrics analysis ▪ Ability to regularly track the principal performance indicators related to all aspects of the service chain ▪ Vice-president or higher-level executive oversight of service performance ▪ Ability to flag and disseminate timely exception reports and / or alerts to executive management ▪ Integration of all critical service performance data and information into a central service management system 	<ul style="list-style-type: none"> ▪ Centralized service performance database / repository ▪ Customer Relationship Management (CRM) ▪ Performance Management System ▪ Balanced Scorecards ▪ Inventory Management System ▪ Asset Management and Tracking System ▪ Business Intelligence / Analytics ▪ Data Mining / Knowledge Management System

Source: Aberdeen Group, June 2009

Best-in-Class Strategies

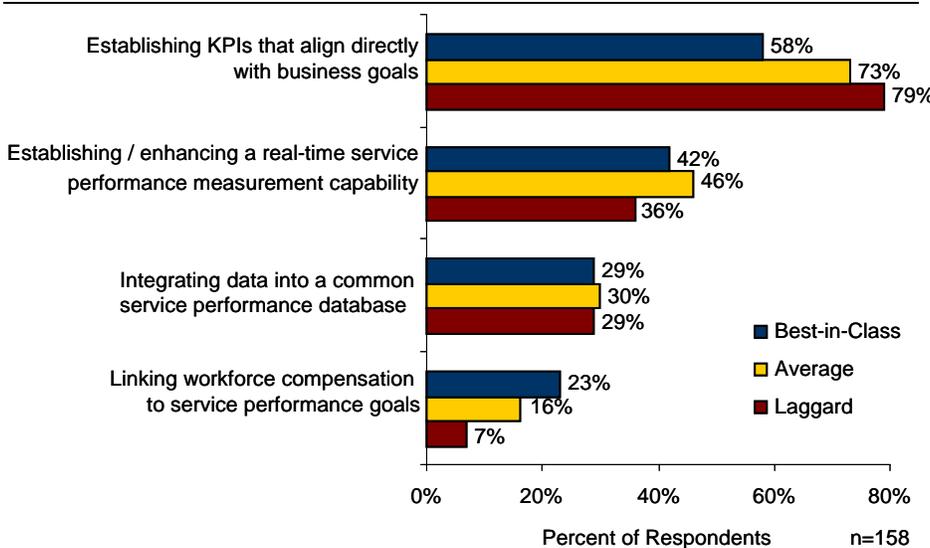
The greatest difference between Best-in-Class firms and all other classes of service organizations with respect to service benchmark and measurement strategies are, essentially, that a large majority of the former have already implemented some form of service KPI / metrics measurement, monitoring, and tracking program and many among the latter have not. As such, the leading firms have typically already adopted a methodology, or process, for utilizing and applying the KPIs / metrics they have been collecting, while the other classes are focusing more on establishing their first forays into a more systematic approach to the discipline. In other words, the Best-in-Class tend to deal more with enhancing what they have, while Industry Average and Laggard firms typically spend a greater portion of their time in terms of establishing new (and in many cases, their first) KPI / metrics programs.

“KPIs are good trend indicators and flags. However, nothing beats rolling up your sleeves and getting your hands dirty looking at the data to find the behavioral root to a problem. Most people do not realize how easy fixes can be.”

~ Tom Froehlich, Vice President Operations & Purchasing, MediaBay, Inc.

Best-in-Class firms have a substantial strategic advantage in linking individual service workforce bonus / compensation to attainment of service performance goals (23% for Best-in-Class, compared with 16% for Industry Average and only 7% for Laggards). The Best-in-Class are also more likely than all other classes of service organizations to implement a service performance management solution (13% for Best-in-Class, compared with 13% for Industry Average and 10% for Laggards) and upgrading a service performance management solution (13% for Best-in-Class, compared with only 4% for Industry Average and 5% for Laggards). Based on these results, Best-in-Class firms appear to have found more ways to use their KPI / metrics data than the other classes of service organizations.

Figure 3: Strategic Actions of the Best-in-Class



Source: Aberdeen Group, June 2009

“We help clients to establish service metrics. The payback comes in terms of alignment of supplier service with customer mission achievement; improved customer satisfaction; better customer-supplier relationships; alignment of expectations of supplier and customer and decrease in disputes.”

~ Andrew Hiles, Managing Director, Kingswell International

Aberdeen Insights — Strategic Actions

In clearly the most striking reverse order finding from the survey results, nearly four out of five Laggard firms (79%) are taking the strategic action of establishing KPIs / metrics that align directly with business goals, compared with less than three-quarters (73%) of Industry Average firms, and just over half (58%) of Best-in-Class. Other areas where Industry Average (and, in some cases, Laggard) firms either equal or exceed Best-in-Class firms in taking specific strategic actions include:

- Establishing / enhancing a real-time service performance measurement and tracking capability (46% for Industry Average, versus 42% for Best-in-Class)
- Integrating data from multiple sources into a common service performance database (30% for Industry Average, versus 29% for Best-in-Class)

continued

Aberdeen Insights — Strategic Actions

One other reverse order distinguishing factor among the classes is appointing a senior-level executive manager to oversee service performance (17% for Laggards, 5% for Industry Average and 0% for Best-in-Class. Once again, the top two classes of service organizations have typically already undertaken this strategic action.

Each of these represents an area where Industry Average (and even Laggard) firms may be able to gain some ground against the Best-in-Class. In fact, by successfully carrying out any of these actions, Industry Average firms may ultimately be able to narrow their respective performance gaps with the leading firms.

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

In most other Aberdeen benchmark reports, the derived KPIs and metrics represent the end results of the study, or the dependent variables; however, in this report, they are the independent variables that ultimately drive the success of the service organization. The survey findings clearly reveal that regardless of which KPIs / metrics are being collected, it is how they are applied against the specific strategic and tactical needs of the organization that will ultimately determine the level of service performance success that can be attained. Accordingly, this is the primary measure by which Best-in-Class firms will be determined.

Case Study — Major Global Healthcare OEM

We are a major, global manufacturer / OEM of medical / healthcare devices, instrumentation and systems. We typically support our own installed base of equipment all over the world. Among the greatest benefits our organization has realized through the use of service-related KPIs / metrics is the ability to minimize the overall response time to address “service failures” from the customer’s perspective. The following is a great example of this in action – we had historically prided ourselves on shipping 97% of all service orders the day they are received (up to 3:00 pm PT), regardless of whether the product is a month old or 15 years old. However, one day, one of the Regional Service Managers asked management, “What is going on with your Shipping Performance? When is it going to get better?” Management was dumbfounded, as the company had been maintaining some of its highest shipping performance ever at the time.

Unfortunately, the conversation ended with the sheer inability to answer the question, as it did not make any sense at the management level. However, upon further reflection, the answer hit me like a freight train. In a subsequent telephone conversation, the Regional Service Manager was asked whether the shipping performance data he was seeing was product-specific. He replied, “Yes, for our flagship products in total.” However, since our real-time performance tool was looking at *combined* shipping performance for all flagship products, and not by specific product, the resulting KPI or metric was of no value to this particular manager.

As a result, the company changed the tool to add specific shipping performance data not only for the aggregate of our key products, but for individual products as well. This simple change had a dramatic impact on our shipping performance within 60 days: overall shipping performance improved slightly from 97.7% to 99.3%; but shipping performance for our flagship products shot up from 91.8% to 98.0%. The lessons learned are that (1) KPIs / metrics are a great benchmarking and measurement tool as long as they are used properly; and, (2) always validate your KPIs / metrics with your users.

continued

Fast Facts

- √ Best-in-Class firms are more than twice as likely as Industry Average firms to cite enterprise-wide business intelligence / analytics systems as a top source of KPI data (45% versus 20%)
- √ Best-in-Class firms are almost 50% more likely than Industry Average firms to use KPIs / metrics to measure, manage, and reward service delivery performance (97% versus 66%)
- √ Best-in-Class firms are more than twice as likely as Industry Average firms to have an enterprise-wide performance management strategy and processes in place (64% versus 30%)
- √ Best-in-Class firms are two-thirds (67%) more likely than Industry Average firms to have a centralized service performance database / repository (90% versus 54%)
- √ Best-in-Class firms are 72% more likely than Industry Average firms to have the ability to capture service performance data directly from service techs (67% versus 39%)
- √ Best-in-Class firms are 65% more likely than Industry Average firms to regularly track the principal performance indicators related to all aspects of the service chain (84% versus 51%)

Case Study — Major Global Healthcare OEM

We've been pleasantly surprised by receiving and maintaining extremely high customer satisfaction scores. And we've realized lower supplier repair costs by partnering with the supplier and increasing the repair warranty (e.g., from 90 days to one year) because of the ability to show them the quality of their work and how it lasts in the field, or partnering with the OEM supplier to become an Authorized Repair Center for their products – this can reduce costs and inventory by having a greatly reduced repair cycle time.

Taking these lessons to the next level, we now routinely benchmark and measure a variety of primary KPIs / metrics, including:

- Customer Satisfaction of the Service Event
- Customer Satisfaction of the new installation
- Net Promoter Score (NPS)
- Failures within the first 30-days of installation
- On-time Shipping Performance
- On-time Delivery Performance (taking into account carrier disruptions)
- Repair Supplier Scorecards
- Warranty Recovery from Suppliers
- Repair Cost Ratio (cost to repair the part divided by cost of a new part)
- Total Life Cycle Costs of the Product
- Mean-Time-To-Repair (MTTR)
- First Time Fix Hit Rate
- Phone Fix Hit Rate
- Remote Fix Hit Rate
- Warranty Costs
- Mean-Time-Between-Failures (MTBF)
- Material Usage by Service Engineer
- No Fault Found (NFF) percentage
- Dead-on-Arrival (DOA) and Early Life Failure (ELF) percentages (for repairs)
- Out-of-Box Failures (for new installs)
- Repair Cycle Time
- Cycle Time to Return Defective Material from the Field

Another very important aspect from the part repair side is to have a knowledge base for all repairs over the life of the serialized part and being able to generate reliability reports for trending, by part. This is another means that we use to identify issues before they are experienced throughout the customer base. Whenever a part is returned, the first thing the repair technician sees on the repair work order is the repair history of the part. Our techs are then empowered with the information they need to determine whether or not the part should be repaired or scrapped, based on this history.

The way our organization is able to improve the way in which it collects, measures, and uses the results of its KPI / metrics monitoring and tracking is to continuously create real-time tools that give us a proactive as possible view of what the customer is experiencing.

continued

“A metric will tell you EXACTLY what it thinks is going on. However, it is up to the business manager to interpret it and analyze what is really going on – by knowing the business, and understanding the metric.”

~ John Callen
Director, Service Operations
and Planning, Diebold

“There's always room for improvement, but at present we are fairly comfortable that [our] KPIs / Metrics accurately reflect reality. Tracking is pretty pointless unless you do something about what it tells you.”

~ Andrew Hiles, Managing
Director, Kingswell
International

Case Study — Major Global Healthcare OEM

In the future, we believe that the most successful service-focused companies will be the ones that fix the customer's issue before the customer itself realizes that they it has a problem. Secondly, we never stop searching for new, creative ways of creating KPIs, as a KPI that was a dream five years ago may be a possibility today. Lastly, we keep raising the bar on the goals for our KPIs; we believe we must constantly push the envelope, or we risk being left behind.

Competitive Assessment

Aberdeen analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Formal process in place for using KPIs / metrics to measure, manage, and reward service delivery performance		
	100%	66%	51%
	Service KPIs / metrics are used to plan / adjust the allocation of service resources		
Process	86%	71%	77%
	Service KPIs / metrics are used to assess individual service process performance		
Organization	86%	76%	55%
	Vice-president or higher-level executive has oversight of service performance		
	82%	75%	49%
	Enterprise-wide performance management strategy and associated business processes		
	64%	30%	33%
Organization	Accessibility of service-related data for all relevant service stakeholders		
	59%	49%	41%

“Many service metrics are misleading. For instance, availability or response measured over a calendar month can conceal daily failure to meet SLAs (e.g., at peak periods) as long as availability or response is very high during non-peak periods. The averaging method over a calendar month can give different results for a 28-day and a 31-day month. Measuring ISP availability at selected POPs is only relevant if the customer uses those POPs. Measuring at 15-minute time intervals means the service could be down 14m59s every 15 minutes and still show as 100% availability.”

~ Andrew Hiles, Managing Director, Kingswell International

	Best-in-Class	Average	Laggards
Knowledge	Use of customer surveys to collect service performance data		
	100%	98%	86%
Knowledge	Ability to capture service performance data directly from service techs		
	67%	39%	20%
Technology	KPI / metrics technology enablers currently in use:		
	<ul style="list-style-type: none"> ▪ 90% Centralized service performance database / repository ▪ 90% Customer Relationship Management (CRM) ▪ 73% Performance Management System ▪ 71% Inventory Management System ▪ 62% Asset Management and Tracking System ▪ 60% Business Intelligence / Analytics ▪ 60% Data Mining / Knowledge Management System 	<ul style="list-style-type: none"> ▪ 54% Centralized service performance database / repository ▪ 58% Customer Relationship Management (CRM) ▪ 63% Performance Management System ▪ 69% Inventory Management System ▪ 35% Asset Management and Tracking System ▪ 38% Business Intelligence / Analytics ▪ 35% Data Mining / Knowledge Management System 	<ul style="list-style-type: none"> ▪ 61% Centralized service performance database / repository ▪ 45% Customer Relationship Management (CRM) ▪ 45% Performance Management System ▪ 52% Inventory Management System ▪ 31% Asset Management and Tracking System ▪ 42% Business Intelligence / Analytics ▪ 28% Data Mining / Knowledge Management System
	Availability of real-time service performance measurement and tracking data to support management decision-making		
	59%	50%	31%

Source: Aberdeen Group, June 2009

“Fix time (there's too much emphasis on time-to-arrive on site); availability (rather than maintenance); number and frequency of incidents of outage; relating availability to critical periods and critical equipment.”

~ Andrew Hiles, Managing Director, Kingswell International

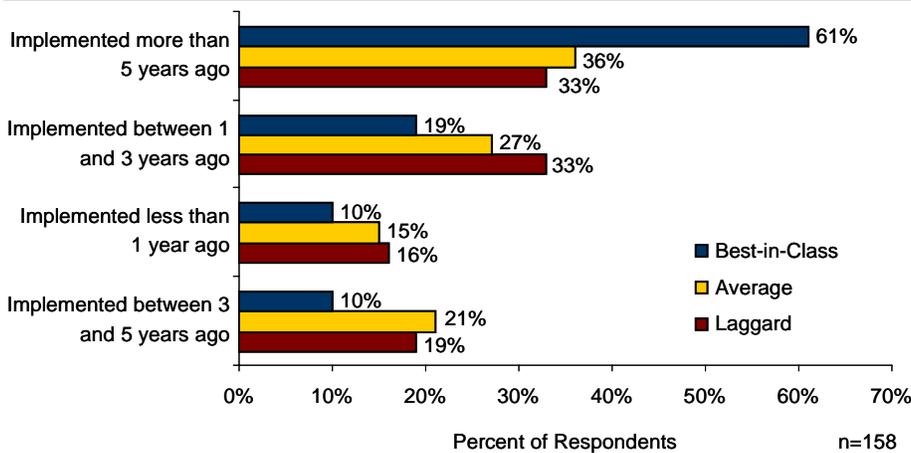
“Another thought about metrics: They say you can get paralysis by analysis – that’s a tactical error. A bigger error is not putting in the systems that allow you to capture the data and measure. The metaphor I like is ‘tracking an ant across the sand.’ Too many times I see companies that can’t find the sand.”

~ Michael Olmsted, VP Outside Operations, Satisloh, North America

Capabilities and Enablers

Best-in-Class firms also reflect significantly longer periods of reliance on KPI / metrics measuring programs within their service operations. For example, more than three out of five (61%) of Best-in-Class firms have had KPI / metrics measuring programs in place for more than five years, compared to only 36% for Industry Average and 33% for Laggards. Overall, a majority of Best-in-Class firms have had this capability for more than five years, while a majority of Industry Average firms have had it for more than three years, and Laggards for just about three years.

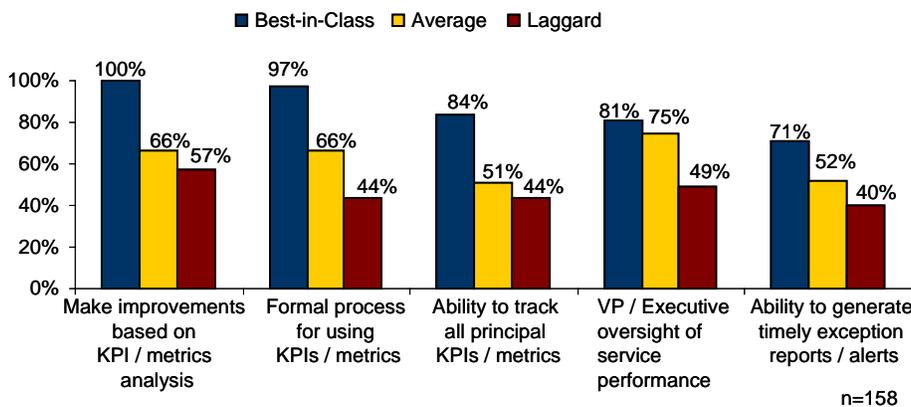
Figure 4: Implementation of KPI or Metrics Measuring Program



Source: Aberdeen Group, June 2009

The variations in current service KPI / metrics capabilities is extremely pronounced by class of service organization, where Best-in-Class firms typically reflect a +/-50% advantage over Industry Average firms in most cases, and a virtual two-fold advantage over Laggards. The greatest advantages for Best-in-Class firms are reflected for capabilities including that of correct and / or make improvements to service operations based on KPI / metrics analysis (100% for Best-in-Class, compared with only 66% for Industry Average and 57% for Laggards), formal process for using KPIs / metrics to measure, manage, and reward service delivery performance (97% for Best-in-Class, compared with only 66% for Industry Average and 44% for Laggards) and ability to regularly track the principal performance indicators related to all aspects of the service chain (84% for Best-in-Class, compared with only 51% for Industry Average and 44% for Laggards).

Figure 5: Capabilities of the Best-in-Class (Current)



Source: Aberdeen Group, June 2009

The pattern of planned implementation of KPI / metrics capabilities (within the next 12 months) reflects a reverse order of response by class of service

“Until now (regretfully) we have no real service KPIs in place. We are working to get them in 10 months time. Reason is that some of the KPIs are difficult to measure. [I have] no result yet to measure. The idea I have with the KPI is to steer the service in our group in a given direction (currently still growth oriented) and to focus my local colleagues on the important issues.”

~ Gerlof Dijkstra, GPS / Service Manager, Motive Power Europe, Hoppecke

“I’d love to contribute, but our business isn’t set up in a way yet that might offer any useful insight. I’m leading a couple of scrums to address KPIs and service provision metrics, and would be more than happy to share our findings once this work is complete. That said, we’re not likely to see meaningful results until mid-2010.”

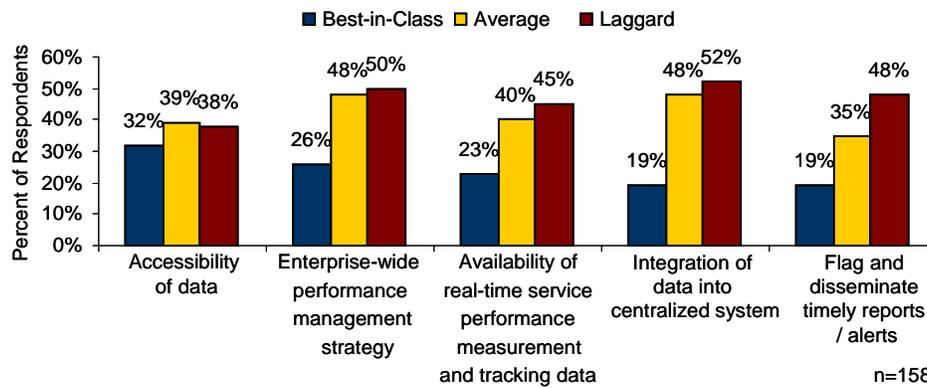
~ Marketing Manager, Large European Telecom Company

“We currently run a program to jointly establish ways to measure the indicators effectively. And in view of the current economic climate, financial resources are limited to invest in IT solutions.”

~ Gerlof Dijkstra, GPS / Service Manager, Motive Power Europe, Hoppecke

organization. In fact, in nearly all cases, Laggards report higher levels of planned implementation than either Industry Average or Best-in-Class firms. Once again, these data suggest that the Best-in-Class firms have already built these capabilities into their existing service operations, and that Laggard firms are focusing in these areas in an attempt to "catch up" in some fashion.

Figure 6: Capabilities of the Best-in-Class (Planned)



Source: Aberdeen Group, June 2009

However, where the real differences among classes of service organizations begin to emerge is in the ways in which the collected service performance data / information is used in managing service operations. For example, 80% to 90% of Best-in-Class firms use service performance data / information to assess individual service process performance (90%), plan / adjust the allocation of service resources (87%), assess in-office workforce productivity (84%) and identify potential up-sell and cross-sell opportunities based on service demand (80%).

In fact, for all of these potential uses of service performance data / information, Best-in-Class firms clearly outshine both Industry Average and Laggards by orders of magnitude (except for plan / adjust the allocation of service resources, where all three classes of organizations fall within a 75% to 87% range). The variance is most significant for assessing in-office workforce productivity (84% for Best-in-Class, compared with 49% for Industry Average and 51% for Laggards) and identifying potential up-sell and cross-sell opportunities based on service demand (80% for Best-in-Class, compared with 48% for Industry Average and only 28% for Laggards). This last area is certainly one that Best-in-Class organizations have apparently been able to leverage into increased levels of service revenues and profits.

“Currently using CRM and ACD phone system with reporting capabilities. Both systems are fairly new, so we will continue to expand the capability of each.”

~ James Clark,
Director Service & Warranty,
Nissan Forklift Corporation

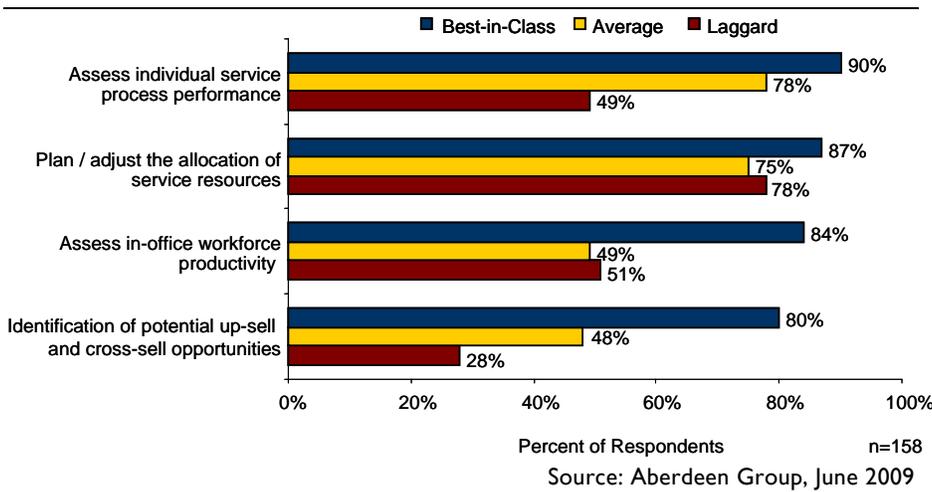
“No major change, perhaps more frequent focused management reviews with more frequent employee communications.”

~ Global Returns Manager,
Large Global High Tech IT
Company

“Revenue; Profit; Customer Satisfaction (transactional and not monthly or yearly) – and not just the NPS; Margins; MTTR; First-time fix; Response Time to Phone Calls; If you have SLAs, the entitlements within; Utilization is not as important if you have the top three working well; Warranty by product line; Cost by product line.”

~ Michael Olmsted, VP Outside
Operations, Satisloh, North
America

Figure 7: Principal Uses of Service Performance Data



Process

Best-in-Class and Industry Average service organizations are similarly positioned as having either a partially manual KPI data process (74% and 73%, respectively) or a partially automated KPI data process (77% each). However, Laggard organizations are either 98% partially manual or 64% partially automated. While this data may be somewhat confusing, what it reveals is the fact that even the Best-in-Class firms do not have sufficiently automated KPI / metrics processes.

Overall, however, Best-in-Class organizations are 2.5-times more likely than Industry Average firms to utilize an automated process performed on a real-time basis (10% compared with 4%, respectively) and five times as likely than Laggards (only 2% automated on a real-time basis). While these numbers are relatively small at the present time, they do demonstrate another potential divide between Best-in-Class and other classes of service organizations.

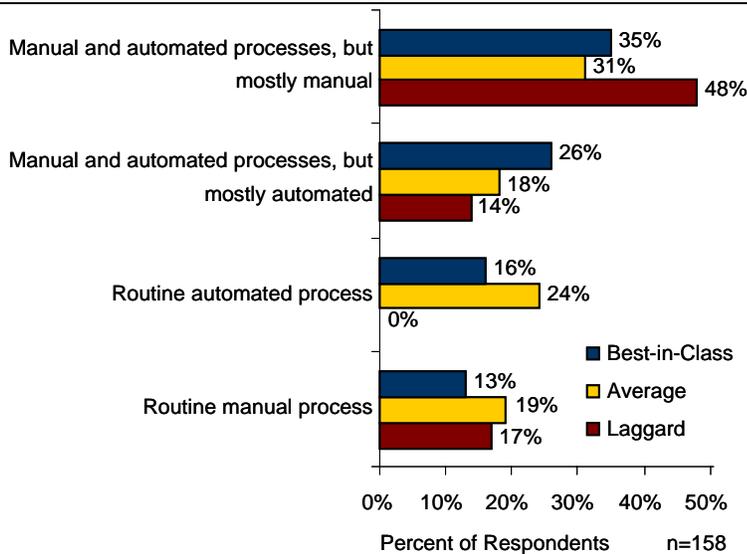
“Having implemented a call / ticketing system about 18 months ago, we now see that it is not being used correctly. Better put, our processes are not tight enough as they should be. Currently the way all technical people handle calls is taking the call on the phone / email, handing the issue, then opening a ticket and closing it. The only real thing accurate about this is the calls, or the issues. Time is not a true metric in this scenario, nor true utilization. As spoken above, we are revamping the way tickets are handled and this will enable us to use the time metrics as they will be more accurate.”

~ Dan Adams, Director of Support Services, Hobsons

“Internally we have seen an increase in the response time and improved documentation of issues that could lead to expensive warranty claims. The improved documentation helps our warranty and technical staff make more informed, full scope decisions.”

~ James Clark, Director Service & Warranty, Nissan Forklift Corporation

Figure 8: Current State of KPI Data Process in the Organization



Source: Aberdeen Group, June 2009

Organization

Best-in-Class organizations are also more likely than other classes of service organizations to support their internal personnel who have a critical need for actionable information based on service-related KPIs or other metrics. For Best-in-Class organizations, the hierarchy of targeted personnel encompasses service executive management (81%), quality management (74%), service workforce management (71%), service parts management (58%), and corporate executive management (52%). However, among Industry Average firms, a majority of respondents target only service executive management (81%) and service workforce management (64%), and a majority of Laggard organizations target only service executive management (67%) and corporate executive management (60%). As such, Best-in-Class firms reflect a more pervasive distribution of data to their internal personnel.

Table 4: Personnel with Critical Need for Performance Data

	Best-in-Class	Average	Laggard
Service executive management	81%	81%	67%
Quality management	74%	44%	36%
Service workforce management	71%	64%	48%
Service parts management	58%	42%	26%
Corporate executive management	52%	46%	60%

Source: Aberdeen Group, June 2009

“KPIs / Metrics are part of an overall process-driven approach to effectively managing service for a customer. Overall it is important to have the right people in the right positions, have effective and efficient processes to run the business, use the right combination of technology to support those business processes and extensively use metrics to manage the business.”

~ Paul Newbourne, VP / GM Operations, Leveraged

“Service (in my case, field service) is very much a people business (the staff and the customers). Too much concentration on procedures and process can quickly develop counter-productive effects. Lots of human factors, which are difficult, if not impossible to measure, determine the success of service. And (field) service is, to me, compared to sales or bookkeeping, a brand new way of making money. (Field) service took off after the possibilities came to transport a technical [solution] to the customer. And while it takes a long time to get new things researched and established, I think it will still take some years to establish THE KPIs for service. They have to be established, but all are not definitive.”

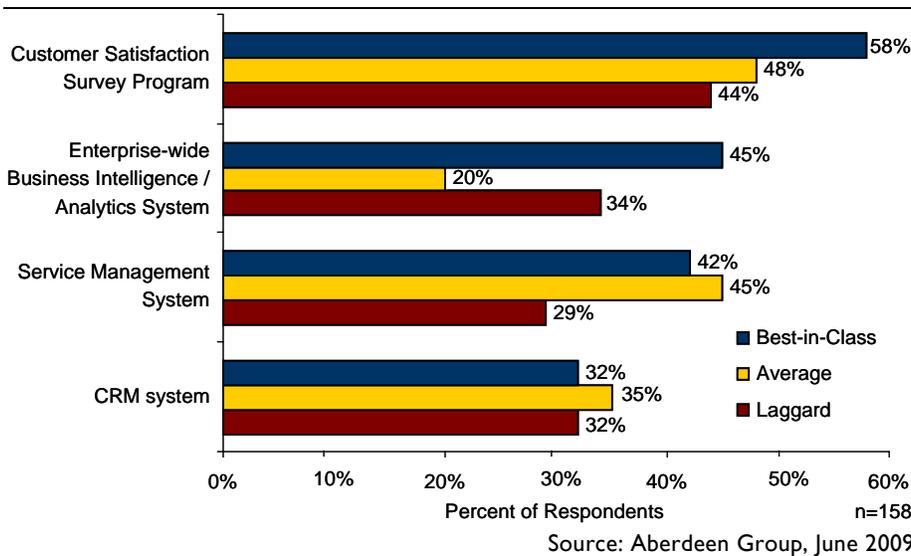
~ Gerlof Dijkstra, GPS / Service Manager, Motive Power Europe, Hoppecke

Knowledge Management

The top sources of KPI data represent a surrogate for the knowledge management capabilities of each class of service organization. A majority of Best-in-Class organizations (58%) rely primarily on customer satisfaction survey programs as their top source of KPI data, while Industry Average and Laggard firms reflect more of a mix of sources with no single source representing a majority. Taking a twist on an old adage, "you can't manage the knowledge, if you don't collect the data in the first place."

Overall, Best-in-Class firms are more than twice as likely as Industry Average firms to cite enterprise-wide Business Intelligence / Analytics Systems as a top source (45% versus 20%). However, for most other top sources cited, both Best-in-Class and Industry Average firms reflect fairly tight ranges of responses, including for Service Management systems (42% and 45%, respectively), CRM systems (32% and 35%, respectively) and Workforce Management systems (23% and 20%, respectively). Laggard firms, at only 29%, are least likely to rely on Service Management systems for the KPI data they need to measure, benchmark, or manage their service operations. What this shows is the relatively larger range of KPI data sources that Best-in-Class firms have at their disposal compared to all others.

Figure 9: Top Sources of KPI Data



"Providing the customer with real-time, accurate information, on a consistent basis on their true cost of ownership allows them to see not only how our equipment performs, but more importantly, how our company as a whole performs for them. The concept that we must continue to promote is that we want to be a business partner and take any lessons learned as an opportunity for both of us to get better at our core business."

~ James Clark,
Director Service & Warranty,
Nissan Forklift Corporation

"By having specific KPIs tracking how we service customer returns, we have been able to proactively align our service offerings to both manage the cost of service and also be a competitive advantage and help win market share. By being able to track operations costs and customer satisfaction we have morphed our services to not only offer better customer service, but also save millions in our reverse logistics costs."

~ Global Returns Manager,
Large Global High Tech IT
Company

Aberdeen Insights — Frequency of Data / Information Analysis and Customer Surveys

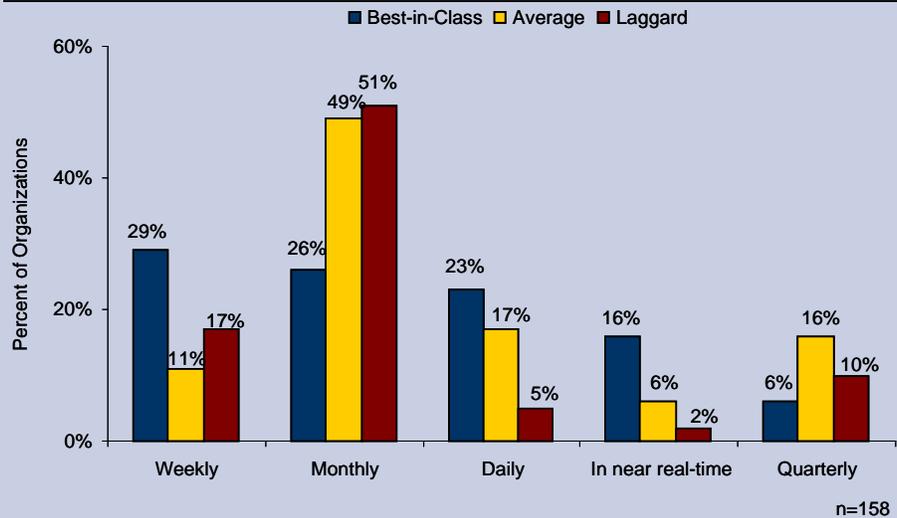
About one-sixth of Best-in-Class firms (16%) analyze their service performance data / information on a near-real-time basis, compared with only 6% for Industry Average firms and 2% for Laggards. The pattern of responses for at least daily analysis of this key data / information grows to 39% for Best-in-Class, 23% for Industry Average and only 7% for Laggards.

continued

Aberdeen Insights — Frequency of Data / Information Analysis and Customer Surveys

Accordingly, the median frequency of analysis ranges from weekly for Best-in-Class, and monthly for Industry Average and Laggards.

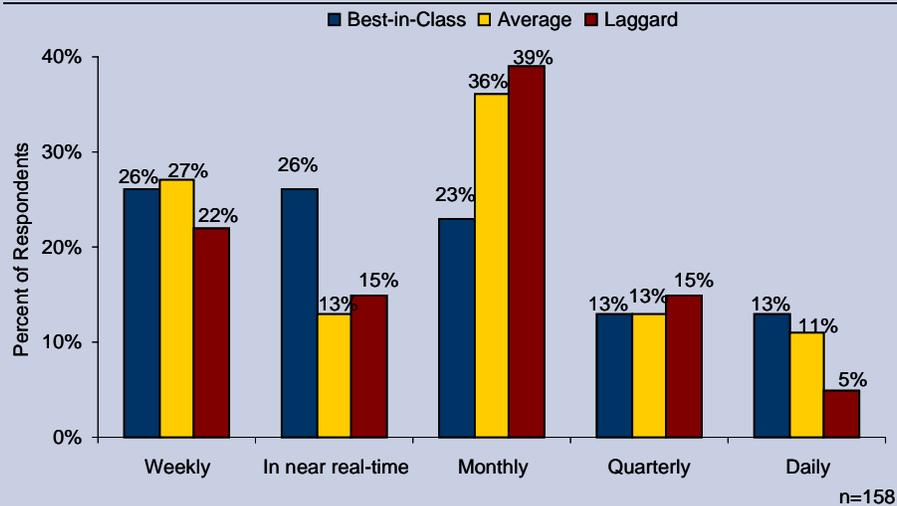
Figure 10: Frequency of Service Performance Data Analysis



Source: Aberdeen Group, June 2009

However, the desired frequency of analysis for service performance data / information tightens up considerably across all three classes of service organizations as more than one-quarter (26%) of Best-in-Class firms prefer near-real-time, Industry Average preferences more than double from 6% to 13%, and the preferences of Laggards increase by more than 7 times from only 2% to 15%.

Figure 11: Desired Frequency of Performance Data Analysis



Source: Aberdeen Group, June 2009

“Besides the general ROS and ROI, the two other KPIs are PF (Penetration Factor = products we have under contract (secure base) / installed base) and FTF. I also want to measure PI (performance indicators) like efficiency [of the] engineer and average visits per day per engineer. And then I see the ‘I’ (indicators) like reaction time, (average) turnover per engineer and (average) costs per engineer. I believe in having few indicators as too many indicators distract valuable resources to generate these indicators and, it is my view, better to get the optimum out of the few indicators we want to use than having lots of indicators, but not using them at all.”

~ Gerlof Dijkstra, GPS / Service Manager, Motive Power Europe, Hoppecke

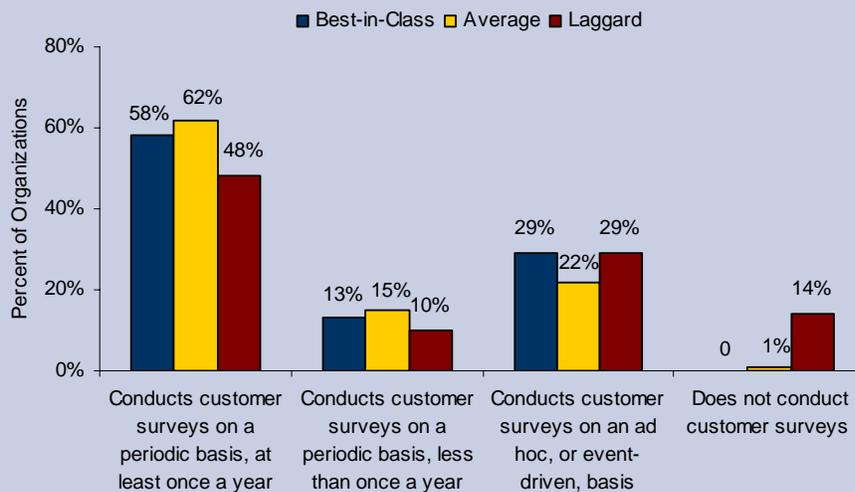
“We expect to see an ROI within 6 months from any major initiatives we take, and over the past 12 months where our focus has been more on maintaining customer sat whilst reduce COS, we have met our ROI targets.”

~ Global Returns Manager, Large Global High Tech IT Company

Aberdeen Insights — Frequency of Data / Information Analysis and Customer Surveys

A majority of Best-in-Class (58%) and Industry Average (62%) firms conduct customer surveys on a periodic basis, at least once a year, while Laggards fall somewhat behind at only 48%. In fact, approximately one-seventh (14%) of Laggard organizations do not conduct customer surveys at all, while 100% of Best-in-Class and 99% of Industry Average firms do so.

Figure 12: Utilization of Customer Surveys



Source: Aberdeen Group, June 2009

“Response time, First-Time Repair Rate Percentages, Labor Utilization and Service Sales Revenue per Service Person.”

~ James Clark,
Director Service & Warranty,
Nissan Forklift Corporation

“In addition to the all of key operations and warehouse activities and functions, I believe that a separate dashboard with all pertinent sales, marketing, and transaction data and information should be created. This report would start with order flow and mix data, and flow to the product contribution to overhead line.

When I was in the MVS / JCL mainframe environment at a well-known catalog company, we were able to provide this type of data and activity in day / week / month / YTD format – beginning with SKU-level data, and this could then be layered (with attribute sorting capabilities) to a total business level. Very, very comprehensive and data-intensive. No one that I know of, except Wal-Mart, has taken on an initiative like this. This did eliminate a lot of the Finance questions and headaches, because every transaction was mapped, accounted for, and retrievable at the SKU level.”

~ Tom Froehlich, Vice
President Operations &
Purchasing, MediaBay, Inc.

Technology

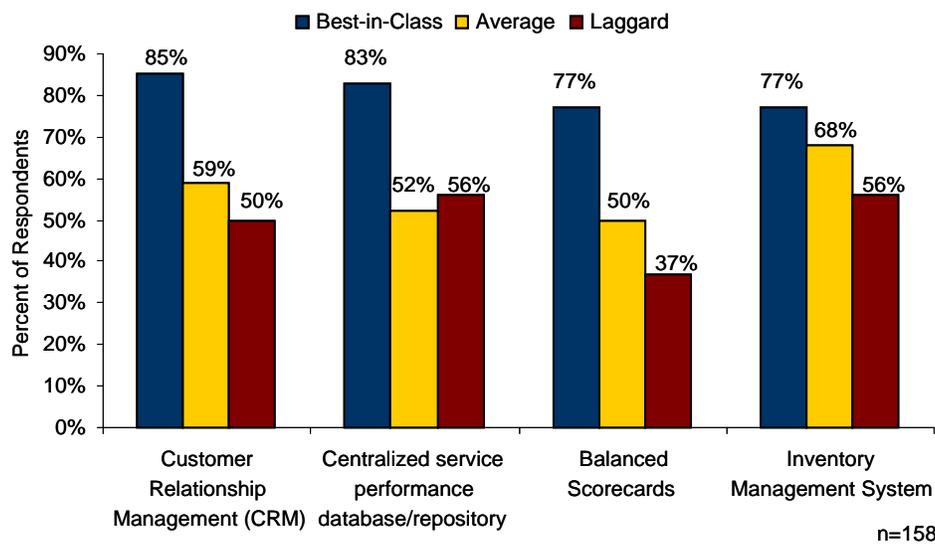
More than three-quarters of Best-in-Class organizations report they are currently using each of the following four categories of service benchmarking and measurement technology enablers: CRM (85%), centralized service performance database / repository (83%), balanced scorecards (77%) and inventory management system (77%). Other highly used technology enablers (i.e., two-thirds usage or greater) among the Best-in-Class include performance management system (74%), asset management and tracking system (72%), business intelligence / analytics (68%) and executive dashboards (66%). At these levels, Best-in-Class firms once again reflect the relatively high number of technology enablers that have at their disposal.

Industry Average firms report significantly lower levels of current usage for these four categories, typically in the 50% to 68% range, and thus reflect usage levels in most cases at only two-thirds that of the Best-in-Class. While Best-in-Class cite CRM (85%) as the top technology enabler currently in use, Industry Average cite inventory management systems (68%) as their top enabler. The only other top technology enablers cited by two-thirds (or so)

of Industry Average firms are performance management systems (67%) and executive dashboards (63%).

At only 37% to 56% current usage, Laggard organizations reflect the lowest levels among the three maturity classes of service organizations. Only half report current CRM usage, and just over one-third (37%) cite balanced scorecards as an enabler.

Figure 13: Technology Enablers Currently Being Used



Source: Aberdeen Group, June 2009

In terms of planned usage, the three most commonly cited technology enablers, by class of service organization, are:

Best-in-Class:

- Executive dashboards (28%)
- Automated exception / alert reporting function (27%)
- Schedule management system (26%)

Industry Average:

- Data mining / knowledge management system (37%)
- Business intelligence / analytics (32%)
- Schedule management system (30%)

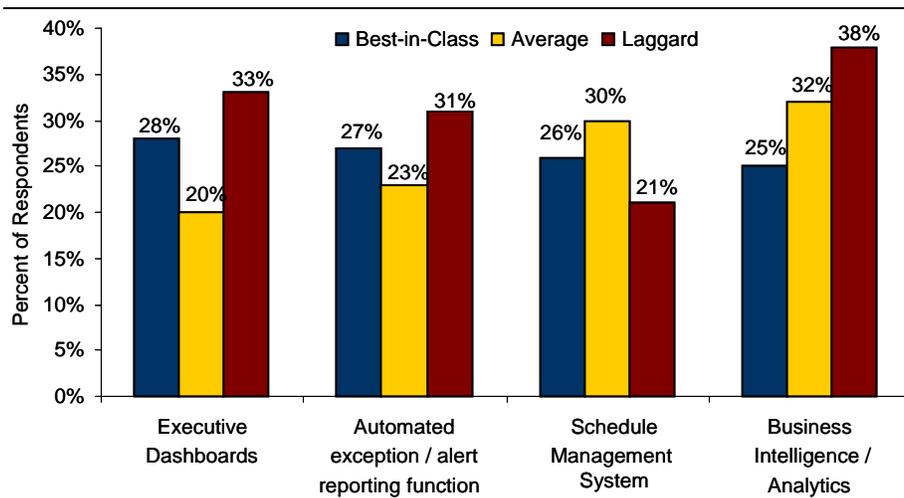
Laggards:

- Data mining / knowledge management system (40%)
- Business intelligence / analytics (38%)
- Executive dashboards (33%)

“Not sure about exact returns; however, since we started measuring it has been eye-opening for some of the management and staff how much time we may spend in a certain area of work. One of the other returns is the ability to measure our overall support group and put together a much more objective view of the landscape.”

~ Michael Olmsted, VP Outside Operations, Satisloh, North America

Figure 14: Technology Enablers Planned for Use (Next 12 Months)



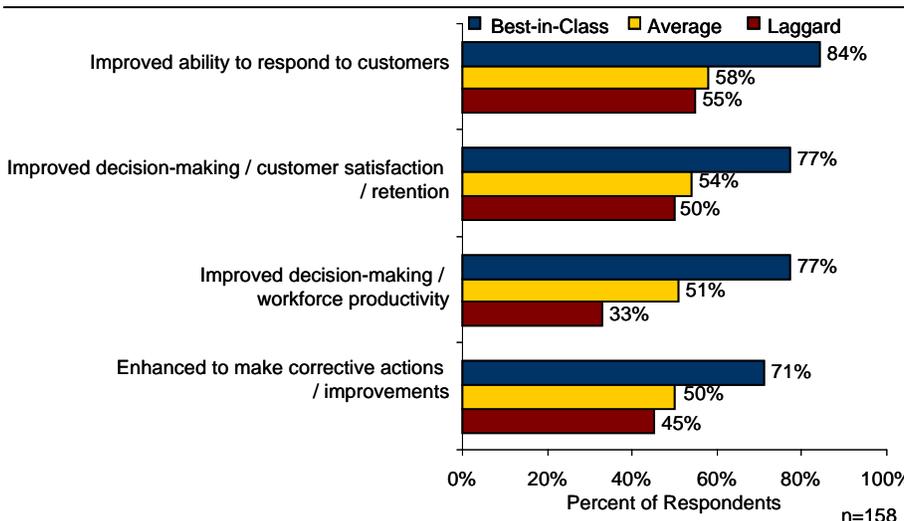
Source: Aberdeen Group, June 2009

“A key KPI where we took action involved a three-day shipping SLA. A number of shipments exceeded this threshold and we exercised a 5% penalty clause. Conditions deteriorated for the next two weeks. The company is looking to break the contract and move our operations elsewhere.”

~ Tom Froehlich, Vice President Operations & Purchasing, MediaBay, Inc.

Best-in-Class firms clearly see the positive impacts of having a real-time service performance measurement and benchmarking capability, as at least 70% of respondents cited five areas including improved ability to react / respond to customer demands (84%), improved decision-making leading to better workforce productivity (77%), improved decision-making leading to increased customer satisfaction and retention (77%), enhanced ability to take corrective actions / make improvements based on KPI trend information (71%), and improved decision-making leading to improved service management performance (71%). However, among Industry Average and Laggard organizations, no individual positive impacts were cited by more than 58% of respondents.

Figure 15: Impact of Real-Time Service Performance Measurement and Benchmarking Capability



Source: Aberdeen Group, June 2009

“The number one benefit is visibility. Once you see what is happening, you can then make decisions based on objective information. Of course you have to be careful that the data is clean.”

~ Michael Olmsted, VP Outside Operations, Satisloh, North America

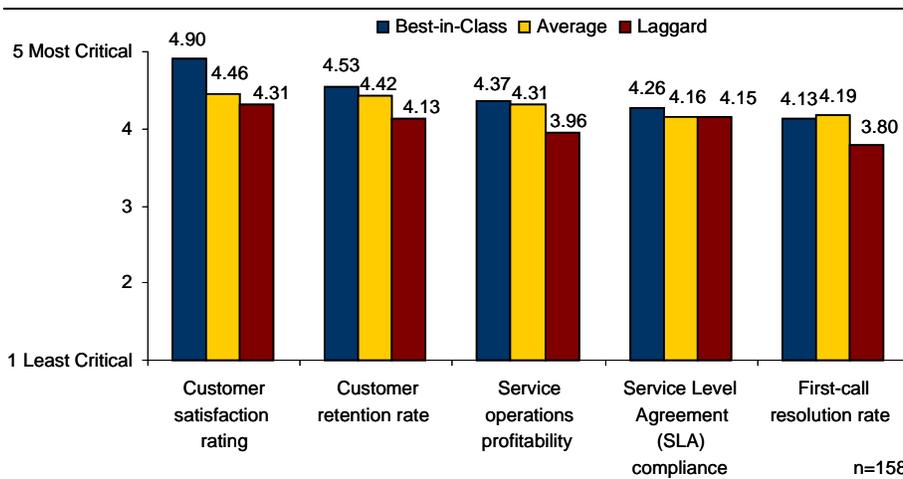
Performance Management

Best-in-Class organizations are the heaviest users of KPIs / metrics in running their service operations, and the following are the five most important individual KPIs / metrics they use to measure service performance (mean rating based on a scale of 1 to 5, where 1 = not important and 5 = extremely important):

- Customer satisfaction rating (4.90)
- Customer retention rate (4.53)
- Service operations profitability (4.37)
- Service Level Agreement (SLA) compliance (4.26)
- First call resolution rate (4.13)

Industry Average firms use the same five KPIs / metrics to measure service performance, but give them somewhat lower ratings of importance (i.e., in the 4.16 to 4.46 range). However, Laggard firms place more importance on asset uptime / availability (4.43) than either Best-in-Class (4.10) or Industry Average (3.97), while their range of importance ratings for the top five KPIs / metrics fall only in the 3.80 to 4.31 range. The variance among these ratings reflects the differences in the levels of intensity between and among each of the three maturity classes with respect to these factors. The Best-in-Class clearly place more importance on these factors than all others.

Figure 16: Most Important KPIs to Measure Service Performance



Source: Aberdeen Group, June 2009

“We are currently in the process of re-inventing our service area and will be monitoring many metrics, including: MTTR, response time, call volume, utilization, proactive versus reactive work, 80% / 20% report (i.e., this is being designed to show which 20% of the customers are taking up 80% of the technical people’s time), trends on certain equipment breakage, etc.”

~ Dan Adams, Director of Support Services, Hobsons

“Just recently we have begun to re-vamp our entire services area / help desk. During the beginning of this process, we are realizing that there is no one metric that is important. The important metric is a blend of many metrics. Utilization, for example, is very important to make sure we are right-sized, but as you approach the desired percentage of utilization, your customer satisfaction drops due to people being very busy. In addition, the MTTR metric is key as well in seeing if the correct skill set is in the correct position. We have an old saying that our support area is very much like a bus: Everybody is sitting on the bus, but maybe everybody is not in the correct seats. In fact there is a possibility that some people do not even belong on the bus.”

~ Dan Adams, Director of Support Services, Hobsons

Aberdeen Insights — Knowledge Management

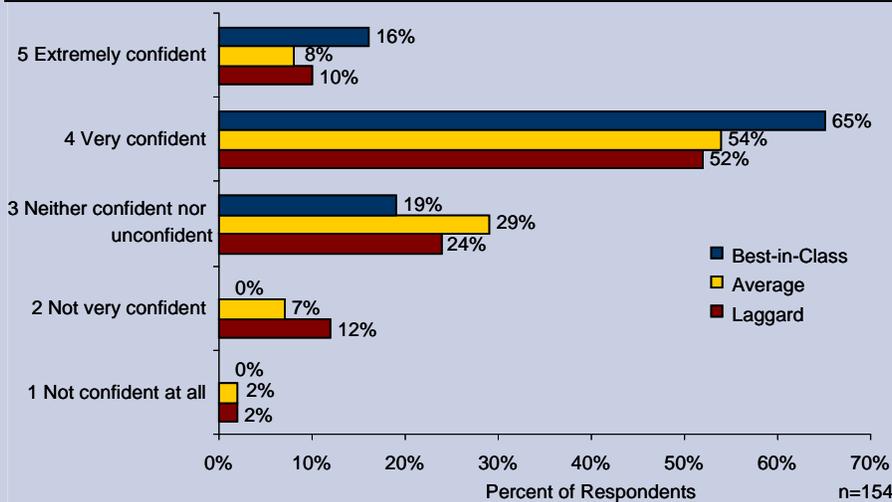
If the accuracy of the data / information used for executive decision-making is faulty, the value of the derived KPI / metric is reduced to meaningless – or worse. Even if the data / information is merely suspect, its usefulness becomes greatly diminished.

continued

Aberdeen Insights — Knowledge Management

The survey data reveals that even the Best-in-Class are not immune to this dilemma, as nearly one out of five (19%) are neither confident nor unconfident concerning the accuracy of the data / information. Nine percent (9%) of Industry Average respondents lack confidence in their data / information, and 14% of Laggards lack confidence as well. The caveat here is that the ability to collect the data is only one facet of the overall process; the confidence in being able to use the data in management decision-making is what ultimately completes the picture.

Figure 17: Confidence in Accuracy of Data Used for Decisions



Source: Aberdeen Group, June 2009

“At the operations level, two examples come to my mind: – We were struggling to turn around requests for servers to the business. Putting together a metric dashboard first told us how bad we were (a request for server build took us 35 weeks on an average). Working on this metric helped us reduce the build time to seven weeks for high-end servers and seven days for virtual servers. Another area where it helped us was in the area of security patching of desktops. Putting together a metric system told us we were bad (84% compliant) and working on this metric took us to 98.9% consistently.”

~ Chandramouli Jayaraman,
 Director Operations, Fidelity
 Business Solutions India

Chapter Three: Required Actions

Whether a company is trying to move its performance in service benchmarking and measurement from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Implement customer service training programs and focus executive-level oversight in customer service-related areas.** A mean customer satisfaction rating of only 69% does not bode well for Laggard service organizations either in the absolute, or in comparison to Industry Average (83%) or Best-in-Class (88%). As this is the highest rated KPI / metric in terms of overall importance, this clearly represents a critical area where Laggards need to improve – and quickly. While the Best-in-Class and Industry Average firms are more prepared to battle it out head-to-head, Laggard organizations are left clearly in their dust with respect to customer satisfaction. Actions such as these could truly help.
- **Take dramatic steps to cut costs and drive new revenue streams to increase service profitability.** Laggard organizations are presently generating annual profits of only 15% for their service operations, compared to nearly twice that (26%) for Industry Average firms, and four-times as much (60%) for Best-in-Class. Rarely do we see variances this great between and among classes of service organizations for this metric. Regardless of whether additional internal costs need to be cut, or new revenue- and profit-generating services introduced, Laggard organizations need to step up their actions with an eye specifically toward improving their respective profit generating potential. The secret to success will not be found simply by continuously cut costs; there must also be a plan to create new revenue streams to drive improved service profitability.
- **Take specific actions to benchmark and measure specific areas that impact workforce productivity.** With no measureable improvement in year-over-year workforce productivity improvement (i.e., average calls completed daily), there is little chance that Laggard firms will be able to improve either customer satisfaction or service profitability over the next 12 months. As such, this class of firms is likely destined to remain Laggards unless they take dramatic steps to show improvements in these key metrics over time. The rule of thumb for Laggard organizations is not only "if you can't measure it, you can't manage it," but also "if you don't benchmark it, you can't improve it."

Fast Facts

- √ Laggard organizations attain only one-quarter the service profitability of Best-in-Class organizations (15% versus 60%)
- √ Laggard organizations report current customer satisfaction levels of more than 21% lower than those received by Best-in-Class organizations (69% versus 88%)
- √ Industry Average firms are 23% less likely than Best-in-Class firms to have confidence in the accuracy of data / information used for management decision-making (62% versus 81%)
- √ Industry Average firms are 53% less likely than Best-in-Class organizations to have an enterprise-wide performance management strategy and associated business processes (30% versus 64%)
- √ 55% of Best-in-Class firms currently use a Service Management System (SMS) to assist in running their respective service operations – about 20% higher than Industry Average firms
- √ 71% of Best-in-Class organizations presently have the ability to flag and disseminate timely exception reports and / or alerts to executive management – about 34% higher than Industry Average firms

- **Implement a formal KPI / metric benchmarking measurement process – and use the results as a roadmap for improving service performance.** Laggard organizations are in the unenviable position of not doing as well as all other organizations either in the use of KPIs / metrics, or in the results of the service performance that are typically measured by those same KPIs / metrics. As a result, they are unlikely to ever show service productivity improvement if they do not focus jointly on both sides of the issue.

Industry Average Steps to Success

- **Establish a program of KPIs / metrics that align directly with business goals.** Most Best-in-Class service organizations have already established KPIs / metrics that align them directly with their business goals and, presently, nearly four in five Industry Average firms (79%) have also cited this as the principal strategic action they will be taking in the next 12 months. Accordingly, this is a critical area where there can be no wavering or slacking off among Industry Average firms, as the accomplishment of this strategic action will ultimately serve to level the overall playing field between them and the Best-in-Class. Simply citing this as a principal strategic action over the next 12 months won't cut it – however, actually implementing it will be critical to the ability of Industry Average firms to successfully compete in any form against the better-equipped (metrics-wise) Best-in-Class.
- **Adopt an enterprise-wide performance management strategy and associated business processes.** Best-in-Class firms are more than twice as likely as Industry Average firms to have an enterprise-wide performance management strategy and associated business processes (i.e., 64% for Best-in-Class, compared to only 30% for Industry Average). As such, Best-in-Class firms are more likely to get actionable results out of their service KPI / metric programs since they already have a plan for identifying what to measure, how to measure it, who to report it to, and what to do with the results when they receive them. The backbone of any service KPI / metric benchmarking and measurement program is the plan that defines the overall structure, process, and application of the data / information.
- **Capture service performance data directly from service techs.** While two-thirds (67%) of Best-in-Class firms have the capability to capture service performance data directly from service techs, less than two out of five (39%) Industry Average firms presently report the same capability. This is another area where there is a great discrepancy between these two classes of service organizations with respect not only to the quality of data, but its timeliness as well. Best-in-Class firms will always have an advantage over Industry Average firms as long as they have formal KPI /

“Many organizations fall into the trap of adding more and more KPIs, so much so that they become KPI ‘snow blind.’ Their leaders need to coach their teams to regularly cull old KPIs lists and focus on the critical few.”

~ Global Returns Manager,
Large Global High Tech IT
Company

“My organization is a very large organization. There are investments in tools underway, with emphasis on visual management for all. People are being exposed to quality methods, managers mandated to be ITIL-aware. Service management, Lean, and Six Sigma courses are being rolled out to establish a common language. I think in 2010, the plan is to manage by metrics.”

~ Chandramouli Jayaraman,
Director Operations, Fidelity
Business Solutions India

metrics programs that align directly to their business goals, an enterprise-wide performance management strategy and associated business processes, and capture service performance data directly from service techs. These three areas provide Best-in-Class firms with distinct advantages over Industry Average firms with respect to data / information quality, timeliness, and application.

Best-in-Class Steps to Success

- **Set goals to step up from Best-in-Class to World Class in Customer Satisfaction.** Overall, the Best-in-Class companies that responded to this survey report a current customer satisfaction rating of 88%. While this level of performance is the highest among the three classes of service organizations, it is only five points higher than that among Industry Average firms, and 19 points higher than Laggards. This is one case where even the Best-in-Class service organizations can stand to improve – with a focus on approaching a 90% customer satisfaction rating. A large majority already have most of the tools needed, they have a KPI / metrics strategy in place, and they are at the top of the industry in generating service profits. They will also need to allocate (or reallocate) some of these Best-in-Class resources toward the goal of expanding the difference in customer satisfaction performance ratings between themselves and the Industry Average.
- **Rely more on a Service Management System (SMS).** Currently, only a small majority (55%) of Best-in-Class firms use a Service Management System (SMS), with 6% of the respondents planning to stop using their system within another 12 months or less. With an additional 3% currently planning to implement SMS, this will result in a net decrease of Best-in-Class companies using SMS within the next 12 months (i.e., from 55% to 52%). However, many SMS applications are designed specifically for service organizations to measure, monitor, and track KPIs and metrics, and as such should be relied on more for these particular purposes.
- **Increase the ability to flag and disseminate timely exception reports and / or alerts to executive management.** Although 71% of Best-in-Class organizations presently have the ability to flag and disseminate timely exception reports and / or alerts to executive management (compared with only 53% for Industry Average and 40% for Laggards), this means that between one-quarter and one-third (29%) do not. However, KPIs and metrics are designed not only to track company-wide or systematic patterns of service performance or customer satisfaction – they may (and should) also be used to identify, flag and report case-specific (e.g., by customer, by event, by activity) data directly to the department and / or individuals that can resolve a problem before it escalates – or become a problem at all. This represents another area where the Best-in-Class can excel, as most of these

“Customer facing metric: time-to-respond, resolve, cost of resolution and customer feedback. Operating environment metrics in line with industry standard (e.g., server / FTE, tickets / server, patching levels, OS upgrade status levels, etc.). Cost metric: unit cost to provide service and how they compare with the environment. Future state metric: roadmap availability and how successfully they are being pursued.”

~ Chandramouli Jayaraman,
Director Operations, Fidelity
Business Solutions India

“We found, and I’m sure this is not news to anybody, that monitoring utilization and reporting it weekly makes all the technical resources tweak their calls to obtain a higher utilization number. In fact, it comes down to pride in the tech staff that each person does not want to be the lowest utilization number. This is why we need a large and vast assortment of metrics.”

~ Dan Adams, Director of
Support Services, Hobsons

organizations already have the tools and / or infrastructure in place to execute these types of exception reports.

Aberdeen Insights — Summary

For this particular benchmark report, KPIs and metrics are not only the way in which a service organization's performance is benchmarked and measured, but also a means to the end in terms of planning, tools, and applications. The Best-in-Class have a great advantage overall all other classes of organization in that they – for the most part – have already implemented most of the planning and implementation of their respective KPI / metrics programs. However, their greatest competitive advantage only comes when they execute on those plans and tools to gain the full advantage of the capabilities and technology enablers at their disposal. For Industry Average or Laggard firms to realistically be able to catch up to the Best-in-Class, they would first need to build a formal KPI / metrics program, implement it and, only then, be able to begin to reap the benefits of improved customer satisfaction, increased service profitability, and higher levels of workforce productivity.

“No metrics, no improvements’ is a much-used quote. ‘Death by metrics’ is another oft-used quote. But, a balance between the two is absolutely essential to remain competitive in the market and to engage your people effectively.”

~ Chandramouli Jayaraman,
Director Operations, Fidelity
Business Solutions India

Appendix A: Research Methodology

In May 2009, Aberdeen examined the use, the experiences, and the intentions of more than 230 enterprises engaged in the use of service-related KPIs and metrics for managing their respective service operations.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on service benchmarking and measurement strategies, experiences, and results.

Responding enterprises included the following:

- **Job title:** The research sample included respondents with the following job titles: President / CEO / CIO / CFO (9%); EVP / SVP / VP / GM (20%); Director (27%); Manager (28%); Consultant (8%); Engineer / Dispatcher / Staff (5%); other (3%).
- **Department / function:** The research sample included respondents from the following departments or functions: customer service (23%); operations manager (20%); procurement, supply chain, or logistics manager (15%); sales, marketing and business development (14%); IT manager or staff (11%); business process management (6%); other (11%).
- **Industry:** The research sample included respondents in the following industries: IT hardware / software services (16%); manufacturing (10%); finance, banking, accounting, insurance (8%); distribution / transportation / logistics (7%); computer equipment and peripherals (7%); oil, gas, mining, metals, utilities, (7%); medical / healthcare (6%); telecommunications equipment / services (5%); construction / engineering (5%); consumer products (5%); automotive / aerospace (5%); other (19%).
- **Geography:** The majority of respondents (60%) were from North America (including the United States, Canada and Mexico). Remaining respondents were from Europe (17%), Asia-Pacific (13%), Middle East / Africa (7%) and South / Central America and Caribbean (3%).
- **Company size:** Thirty-six percent (36%) of respondents were from large enterprises (annual revenues above US \$1 billion); 33% were from midsize enterprises (annual revenues between \$100 million and \$1 billion); and 31% of respondents were from small businesses (annual revenues of \$100 million or less).
- **Headcount:** Thirty percent (30%) of respondents were from very large enterprises (headcount greater than 5,000 employees); 20% were from large organizations (headcount between 1,000 and 5,000 employees); 32% were from midsize enterprises (headcount between 100 and 999 employees); and 18% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives involved in the benchmarking and measurement activities of their respective service organizations completed an online survey that included questions designed to determine the following:

- √ Which service-related KPIs / metrics are presently being used, or planned for use within the next 12 months, to assist in managing overall service operations
- √ How is the data / information collected (i.e., from which sources), and how is it used
- √ What strategic actions are presently being taken, or considered, for leveraging the use of KPIs / metrics to improve current levels of service operations, customer satisfaction and overall service profitability
- √ How is service management involved in the oversight and use of the collected data / information
- √ What are the most important service-related KPIs / metrics that need to be benchmarked and measured

The study aimed to identify emerging best practices for using service-related KPIs, or metrics, in managing service operations, and to provide a framework by which readers could assess their own organization's service management capabilities.

Table 5: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, June 2009

Table 6: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, June 2009

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, June 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [*Service Delivery Optimization – Managing Outsourced Service Partners to Drive Customer Satisfaction and Profitability*](#); April 2009
- [*Field Service Scheduling and Routing: A Guide to Service Delivery Excellence*](#); June 2008
- [*Get Smart: Business Intelligence for Service Organizations*](#); November 2007
- [*Optimizing the Service Supply Chain*](#); September 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

Author: Bill Pollock, VP / Principal Analyst, Strategic Service Management, (bill.pollock@aberdeen.com)

Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

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