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The KPIs Top TSPs Rely on for Success & How to Use Them in Your Business

MEASURE YOUR SUSTAINABILITY WITH KEY PERFORMANCE INDICATORS

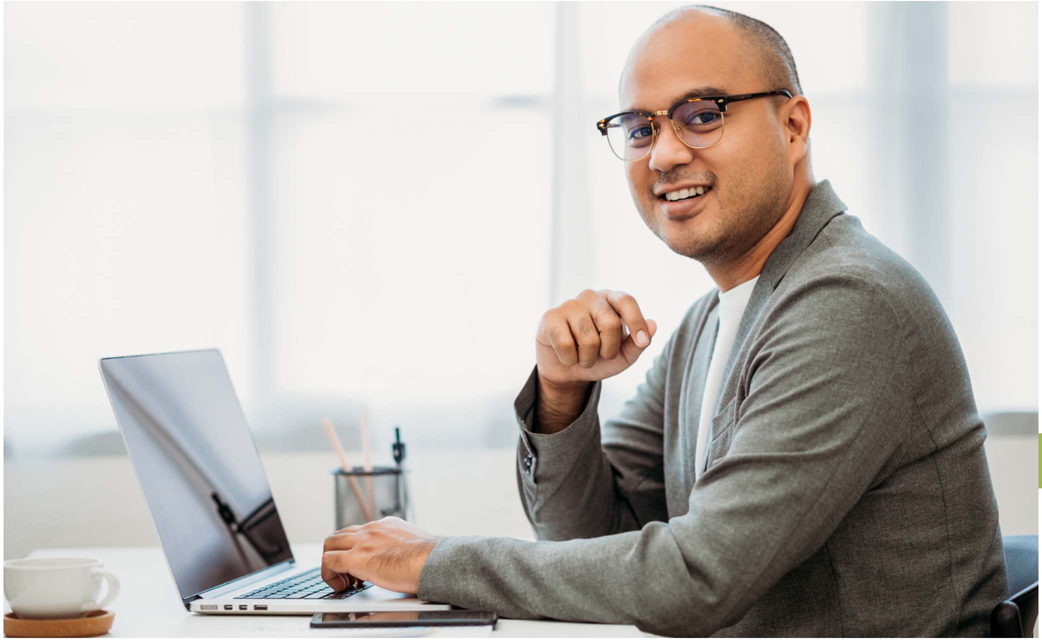
CONTENTS

INTRODUCTION

As a technology solution provider, how do you know you're on the right path to success?

How can you see where you're going if you're in the dark about where you are or how you got there? If your business decisions aren't based on reliable data, it's easy to let ambition, assumptions, and misguided conclusions throw you off track. **You can't manage what you don't measure, but what should you measure?**

The most successful MSPs rely on metrics – known as key performance indicators (KPIs) – for making informed, educated decisions that **help their businesses thrive, rather than just survive**. This eBook provides an overview of some of the most important KPIs used by top MSPs. We'll focus on two major areas – finance and service – to help you better understand how to use KPIs as an essential tool for building a more sustainable business.



PART 1: FINANCE

Finance KPI #1
Revenue Source Breakdown

What Really Brings Home the Bacon?

How to Calculate:

Total Revenue of Business Source/Total Revenue

Example:

$$\frac{\text{\$750,000 Recurring Services Revenue}}{\text{\$1,000,000 Total Revenue}} = 75\%$$

Why This KPI Matters

In a constantly-changing industry, it's important to create an adaptable, resilient business model. Relying on a single line of business adds risk to your organization. Additionally, not all revenue streams are created equal.

A higher priority should be placed on maximizing recurring revenue — a desirable goal is 50% or more of your total revenue sources.

It yields a higher return during a business valuation, and recurring services generally have a higher margin.

Successful Use of This KPI

- Higher margins
- Business positioned for better cash valuation
- Cash flow predictability
- Balanced revenue portfolio adaptable to industry changes

Failure to Use This KPI

- Unbalanced revenue creating risk
- Cash flow at the mercy of Transactional revenue

How to Improve:

Improving your recurring revenue streams starts with effective product management.

When developing the services you offer, begin by understanding the customer problems you are trying to resolve. After the problems have been exposed, identify what the customer needs in order to solve these problems. Then develop solutions and services to fulfill those needs. Once the service offerings have been developed, it's now time to train and incentivize your sales team to promote the newly created recurring services.

Finance KPI #2
Does This Service Make Money?

How to Calculate

(Revenue of Line – Costs of Revenue Line)/Revenue of Line

Example:

($500,000 Revenue from "Silver Package"
- $250,000 cost)
$500,000 Revenue of Line

=50%

Why This KPI Matters

Understanding the profitability of each product and/or service you offer is essential to maximizing the revenue stream bringing the most to the table. This KPI can guide you when determining what to market and sell to both your new and existing customers, allowing you to maximize the sale of marginally beneficial items.

As a reference, professional services should strive for 30% or more margin, while managed services should set 40% plus as a goal, with intellectual property aiming at over 50%.

Successful Use of This KPI

- Determine which offerings bring the highest gross margin
- Promote, sell, and service the highest margin offerings, often aligned to the intellectual property you offer to customers
- Create higher margins across-the-board for your business

Failure to Use This KPI

- Offering products and services that bring in little or no money
- Bottom-line revenue loss
- Potential high COGS
- Poor product offering and/or customer satisfaction

How to Improve:

Your basic options are to increase price or decrease cost. Decreasing costs allows you to be in control of the margins, without affecting customer satisfaction. Automating processes within your organization, as well as researching other solution offerings, are two ways to decrease costs with no negative affect on customers. **Keep in mind that negotiations to increase price or update services can be made at contract end dates.**

Finance KPI #3
Which Customers Have the Highest Per-Hour Value?

How to Calculate

Total Revenue for Customers/Hours Applied

Example:

$\frac{\text{\$10,000 Revenue from Cmpny A}}{\text{100 Hours Entered for Support}}$ = **$100** Effective Rate Per Hour

Why This KPI Matters

With recurring revenue being a major initiative for financial stability, **it's important to ensure that revenue per hour for those services is maximized.** That way, you can promote the best customers, and "fire" those that don't meet the criteria.

One way of thinking about this KPI function is a comparison of being paid $200 per hour for one customer vs. $100 per hour for another.

Since the number of hours in a year is finite, you should be promoting customers with a higher effective rate. Quarterly or annual reviews allow you to determine if automation should be implemented, additional training is needed, or if a customer should be "dropped" so resources can be focused on those bringing in a higher effective rate.

Successful Use of This KPI

- Focus on customers that bring in highest effective rates
- Higher revenue per labor hours
- Identify low margin recurring revenue customers
- Enable necessary action in education, training, and automation

Failure to Use This KPI

- Continual renewal of customers with low effective rate, distracting you from bringing on new customers with a higher effective rate
- Decreased revenue
- Inefficient customer use of technology, leading to additional support hours
- Wasted time marketing and/or selling to the wrong customer (such as industry, niche, size), leading to additional support hours

How to Improve:

The overall goal is to minimize hours entered for a customer. Educate and train your clients on the technology you offer to alleviate time wasted in helping them complete mundane tasks or answering unnecessary questions. Ensure you've appropriately aligned internal processes around your customer's needs, with a review of accountability, use of automation, and fully effective onboarding.

Finance KPI #4
Where Should I Invest My Time?

How to Calculate:

Total Revenue for Offering/Hours Applied to Offering

Example:

$$\frac{\text{\$400,000 Total Revenue from "Silver" Offering}}{\text{5,000 Hours Applied}} = \text{\$80 Effective Rate}$$

Why This KPI Matters

This indicator can reveal the effectiveness of product development, and lead to better product management. Service offerings are often initially based not only on analytics, but also assumptions and "gut feelings". **Once data is available, however, there's now a clearer understanding of the best level of service for you and your customers.** You can make fact-based decisions about which service offerings to prioritize, provide, or even remove from your catalogue.

Successful Use of This KPI

- Higher revenue per labor hour
- Correctly market/sell more profitable services
- Added insight into product management
- Increased customer satisfaction by correctly creating service catalogue that decrease time needed for support

Failure to Use This KPI

- Selling offerings that don't pay off
- Decreased revenue/margins
- Inefficient use of technology
- Poor customer service due to incorrectly matching services to clients

How to Improve:

Simply put, minimize total hours entered for the contracts and services you offer, starting by streamlining internal processes, including time-drains in admin and duplicate data entry. **Complete a gap analysis, and resolve the issues you uncover. Then implement a Continual Service Improvement process.** Tools such as remote monitoring and management (RMM) and professional service automation (PSA) can help automate more than half of the human processes within your help desk. Finally, take an objective look at the services you offer, and research whether they still align to your customers' needs.

Finance KPI #5
Who's Your Big Fish?

How to Calculate:

Revenue from Customer/Total Revenue

Example:

$$\frac{\text{\$150,000 Revenue from Client A}}{\text{\$1,000,000 Total Revenue}} = \mathbf{15\%}$$

Why This KPI Matters

Resilience is essential to success in a changing industry. Having a sizable percentage of revenue segmented to a small number of customers puts your financial stability at risk. **You need to prioritize which clients are most important to keep happy, and be prepared to rebound quickly if any of your customers do leave.**

Successful Use of This KPI

- Healthy customer contribution breakdown that removes unwanted risk from revenue streams

Failure to Use This KPI

- Unhealthy customer distribution, creating risk

How to Improve:

You guessed it… **bring on more clients!**

PART 2: SERVICE DESK KPIS

Service Desk KPI #1
Resource Utilization

Are Your Employees Booked Up, Busy, and Billable?

How to Calculate:

Utilized Time/Total Time

Example:

$$\frac{\text{35 Utilized Hours}}{\text{40 Hours}} = \textbf{87.5\%} \text{ Utilized}$$

Why This KPI Matters

You can't manage what you don't measure. This means your number one expense – human resources – should be measured in depth, including how much of your employees' time spent at work is financially beneficial to your company. Resource utilization is ultimately decided on by the management of your organization, and may include both billable and non-billable time.

Average utilization is in the 50–60% range, while best in class comes in at 80% and above.

Successful Use of This KPI

- Higher revenue
- ROI on employee wages
- Ticket resolution times can be minimized if employees are properly utilized.

Failure to Use This KPI

- Loss of revenue
- Paying employees for non-revenue generating tasks
- Overstaffing
- Slow ticket resolution: High utilization rates can lead to delayed tickets, while low utilization rates may mean your employees aren't moving from one task to the other
- Customer satisfaction decreases as ticket resolution times are increased

How to Improve:

Implement a system to track employee utilization, configure automated reports that are emailed for review, and manage work capacity with dispatch.

Service Desk KPI #2
SLA Compliance

Are You Meeting Customer Expectations?

How to Calculate:

Service Requests that Met SLA Requirements/Total Tickets

Example:

$$\frac{\text{75 Tickets Met SLA}}{\text{100 Total Tickets}} = 75\%$$

Why This KPI Matters

Service Level Agreements (SLA) define a standard of performance, which sets up appropriate expectations for your customers and your help desk team. They can also reveal a need for improvement in internal processes and tools. SLA compliance is key to customer satisfaction; businesses want to deal with minimum downtime – and that means they are often willing to pay a higher rate for better SLA times.

Average rate for number of service requests that met SLA is 80% or more; best in class is an impressive 99.999%.

Successful Use of This KPI

- Efficiently run help desk
- Better customer service
- Fewer customers discontinue service
- Higher billable rate

Failure to Use This KPI

- Unhappy customers
- Higher churn rate
- Less scalable

How to Improve:

Meeting SLA requirements starts with triage. As tickets arrive at the help desk, the first step should be to immediately categorize the request, including SLA timelines and specifics for that type of ticket. Any time delay in assessing the ticket could put you at risk for missing the SLA requirement. Implement proactive automated monitoring of service request SLAs to create an additional protective layer in your process flow.

Service Desk KPI #3
Percentage of Billable Hours

Is Your Time Spent Making Money?

How to Calculate:

Employee Billable Hours/Total Hours

Example:

$$\frac{\text{30 Billable Hours Entered}}{\text{40 Hours}} = 75\%$$

Why This KPI Matters

If the main goal of your business is making money, spending time on non-billable work is not the way to get there. Your teams should be entering as many billable hours as possible every day to ensure you bring in the revenue needed. This can be confusing for some service providers for two reasons: they think work covered by a contract isn't "billable", and they don't want technicians entering time simply to justify their hours working. These issues are easily resolved: in reality, the majority of work applied to a contract should be considered billable, and a reporting mechanism can automatically track utilized vs. billable technician time.

As a guide, average employee billable hours out of total time is between 65–75%, while best in class ranks above 75%.

Successful Use of This KPI

- Higher margins
- Accountability for employee time
- Higher billable amounts for employees

Failure to Use This KPI

- Lower revenue margins
- Loss of actual revenue
- Potential "hidden" time

How to Improve:

Configure your contracts to automatically cover/not cover certain types of work. Train your team to understand that time against contracts is billable, and **conduct daily or weekly reviews of time entries to be sure nothing is falling through the cracks.**

Service Desk KPI #4
Tickets Per Customer

Who Are Your Problem Customers?

How to Calculate:

Total Tickets Per Customers

Example:

Customer A Submitted 22 Tickets This Week

Why This KPI Matters

Tickets equal potential cost of goods sold (COGS), including labor and product. **That means as ticket count increases, potential revenue decreases.** While many factors can affect ticket count goals, including size, field, maturity level, and territory, the goal is to keep them low. **A high ticket count for any customer should be evaluated for solutions** including training, a technology review, and possibly even a look at whether that client is the right fit for your service business.

Successful Use of This KPI

- Staying ahead of "problem" customers to decrease the ticket counts.
- Increased revenue
- Resolution to potential customer churn

Failure to Use This KPI

- Lower effective rate
- Lower overall revenue
- Lower customer satisfaction
- Potential loss of customer

How to Improve:

As customers adopt technology, your role is to help them incorporate it into their day-to-day operation as easily and completely as possible. Consult with them, research their industry, and provide training that can preemptively answer their questions and minimize service requests. **Consider offering them additional consulting and coaching as another source of revenue.**

Service Desk KPI #5
Tickets Per Technology

What's Draining Your Support Resources?

How to Calculate:

Total Tickets Per Technology Type

Example:

$$\frac{\text{34 Tickets This Week on Brand ABC}}{\text{Model 123 Laptop}}$$

Why This KPI Matters

With technology moving so quickly, a type of device may be sold and implemented before you've vetted it. A high number of service requests for that device should sound the warning bell that it may need to be removed from your offerings. These technologies should be discussed at the TBR (technology business review) with your customer, and a plan should be put in place to retire the legacy or problem technology. Other factors may be having an impact, including the number of devices affected, complexity of the devices, and the tech savvy of the users involved. **If these issues are discovered, they should also be discussed with customers during the TBR with each of you.**

Successful Use of This KPI

- Standardize on trusted technology set.
- Analytics on stability of technology
- Decreased support hours for devices in question
- Increased customer satisfaction

Failure to Use This KPI

- Wasted time working on "lemon" software
- Lower revenue and effective rate
- Unhappy customers

How to Improve:

Categorize your tickets into types, which will allow you to see trends and provide insight for improvement. For example, if you recognize complexity issues as a trend in tickets, create education assets to help avoid those types of incidents. Automate the detection and remediation of recurring incidents, and create an accountability loop between technicians and your RMM admin as a means of continual review.

Service Desk KPI #6
Average Resolution Time

How Quickly Do You Make It All OK?

How to Calculate:

(Ticket Resolution Timestamp – Ticket Creation Timestamp)

Example:

The average time to resolve service requests is 34 minutes.

Why This KPI Matters

Customers want their issues solved as quickly as possible. Any tickets that are perceived as taking too long to resolve can damage customer satisfaction ratings. Too many lingering tickets and unhappy customers have a negative effect on your help desk team. **Your continual goal should be minimizing resolution time.** Remember, if the outcome is positive, there's no such thing as having accomplished it too fast.

Successful Use of This KPI

- Help desk is running smoothly
- Customer satisfaction is high
- You have more time to take on new clients

Failure to Use This KPI

- Unhappy customers
- Unhappy employees
- Low billable rates

How to Improve:

Creating an environment of team accountability for timely ticket resolution can easily motivate improvement in this area. Streamline process wherever possible, incorporate the help of a dispatcher, and provide visual tools to the team, such as public-facing dashboards, to monitor the progress of aging tickets and resolution times.

Service Desk KPI #7
Satisfaction Rating

How Happy Are Your Clients?

How to Calculate:

(Total Score of Surveys/Total Possible Points)

Example:

We have a 97% Customer Satisfaction Rating.

Why This KPI Matters

The bottom line is it costs less to retain existing customers than get new ones, and industry research shows their value at three times that of a potential prospect. Good customer satisfaction ratings are also a strong marketing tool and source of solid referrals.

The average for high customer satisfaction ratings is 85% and above; best in class reaches 95-100% in high ratings.

Successful Use of This KPI

- Reduced customer churn
- Increased customer lifetime value
- Reduced negative word-of-mouth
- Cost-effectiveness of existing customers vs. new

Failure to Use This KPI

- Loss of customers
- Less referrals
- Lost revenue
- More headaches
- Loss of accounts receivables

How to Improve:

Ensure timely responses, and decrease average resolution times. Engage consistently with customers, perform recurring business reviews, and incentivize staff on customer satisfaction scores.

CONCLUSION

We hope this overview has provided insight into the critical role KPIs can play in stability and growth for technology solution providers, and has encouraged you to incorporate these vital measurements into your operation. We hope this overview has provided insight into the critical role KPIs can play in stability and growth for technology solution providers, and has encouraged you to incorporate these vital measurements into your operation. We hope this overview has provided insight into the critical role KPIs can play in stability and growth for technology solution providers, and has encouraged you to incorporate these vital measurements into your operation.

Implementing a business management platform like ConnectWise Manage is essential for the tracking, analyzing, and real-time reporting of KPIs that guide you in making educated decisions for your future.