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Key Performance Indicators (KPI) – An Overview

Over the last few decades, the advent of technology-driven systems has given businesses the opportunity to measure everything and anything. This is both good and bad. While it cannot be disputed that the ability to measure has brought increased control and opportunity for improvement, it is the number and variety of potential control points that has become a detriment. If one can measure anything and everything, this new reality can reduce the efficacy of an organization by creating easy pitfalls, such as:

- Measuring too much
- Measure things that cannot be controlled
- Measure things that are not substantive or that do not matter at all (getting caught up in the little things)
- Measure things that have no causal relationship to the objectives of the organization
- Measurements that provide no actionable intelligence

These pitfalls are deceptively attractive, especially for technical professionals because technical people are enamored with data ... the more the better. The truth is that limiting yourself to the right data is far more important.

This is never truer than in the field of technical customer service. Technical customer service is inherently filled with both objective data points and subjective personalities, both hard and soft data points enough to fill volumes and absorb thousands of man-hours in analytical consideration.

This cloud of data can bog down good leaders in needless reports, leave frontline service staff wondering at the seeming discrepancies between organizational objectives and the metrics by which they are measured, and allow lesser managers to take refuge in the fog—destroying real accountability and simultaneously creating incongruent incentives that can actually encourage poor performance by service teams.

Further, it is vital that KPIs measure more than just the performance of the service teams. When done correctly, well-crafted technical customer service KPIs feedback real, actionable information to the teams, their leaders, and the core business operations as well—driving product and process improvements in real time.

In short, KPIs do not just measure technical customer service, they drive sales by increasing satisfaction and lessen demand for service by increasing product quality.
**How Do You Choose the “Right” KPIs?**

Choosing the “right” KPIs is easy to say and challenging to do. But the most important thing to remember is that KPIs must align with the ultimate objective of the organization. Far too often they do not. In fact, it is not uncommon that an organization’s support team KPIs are determined and standards are set as if they were separate and distinct from the organization itself.

For example, some of the most common KPIs used to measure the organizational effectiveness of a technical service team are “time to resolution,” “single-contact resolution ratio,” and “cost per ticket.” All of these are valid measurement points, but it is very easy to lose focus. Are these individual measurements a part of the company’s mission statement? Probably not. But “delighting the customer” might be.

In this example, it is important to remember that things like “time to resolution” might be factors that influence a customer’s satisfaction, and thus whether they are delighted or not, but in reality a speedy resolution is a tactic that can be—but is not always—applied to achieve the real desired result of a “delighted” customer. And achieving a “low cost per ticket” is a noble objective, but achieving this as an objective might cost an organization some of its most profitable customers if agents and supervisors focused on expenses alone.

If you are focused on the tactics and not the objectives, a business can win one skirmish and lose the battle altogether, meeting all KPIs but failing to satisfy anyone. A counter-argument to this might be that it takes a balance of KPIs to achieve an overall result—and this would be true—but the underlying mistake too often made is that achieving a metric is a result unto itself. It is not.

**Traditional (wrong) Technical Customer Service KPI Model**

In the final analysis, ensuring that KPIs are not only in alignment with company objectives, but that they are an integral part of the overall management and control of the organization is vital for success. Suggestions regarding types of KPIs will be covered later in this document.
How Many KPIs Should You Have?
Another major challenge facing technical customer service departments can be found in the abundance of possible data points. With the explosion of social media, big data analysis, and conventional data-mining techniques there is no functional limit to the types and scope of things that can be measured. But just because you can measure something does not mean that you should, or even that the statistic is worth measuring at all.

KPIs vs. Metrics
The difference between Metrics and KPIs is great. According to Kate Leggett of Forrester Research, service managers and supervisors need granular, real-time data on individual staff members and teams, while executives need only a small number of more periodic KPIs. Keep this important distinction in mind as KPIs are established. Metrics are measureable elements that can influence KPI performance, but KPI performance is not necessarily directly related to the metrics used at the time.

Working backwards
Once you have chosen appropriate KPIs, then you determine if those KPIs are being achieved. If they are not, then the first step is to look at the individual metrics being collected and reviewed. If the metrics are not meting standards, this presents a possible avenue for management to pursue as a potential cause for the negative KPI. If the metrics are meeting standard, then the answer might be that additional metrics are required (the wrong or not enough items are being measured) or something else entirely.

For example, if a KPI related to customer satisfaction is falling below tolerance, leaders should look to the various metrics that it is assumed impact satisfaction (e.g., time to resolution). But it should not be assumed that the metrics—whether in alignment or not—are the root of the declining satisfaction. They can provide leadership with a theory of the decline; they are something to test. If satisfaction (the KPI) is dropping and time to resolution (the metric) has come out of alignment, management has to drill down even further. Time to resolution may be an indication of either an issue with the service team or something else entirely.

Direct Service Team Issues
- Staff training
- Newly hired/less experienced staff
- Frontline supervision failure
- Single agent bottleneck

Indirect Issues
- Information flow from engineering to the frontline is failing (development)
- A UX change in the latest build is making issues harder to resolve quickly (design)
- Tools and technology used by the service team is slowing down, faulting, or becoming obsolete (IT)
- Assembly at one plant is injecting more errors/faults than before (production)

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Seen in this light, KPIs are core organizational objectives and metrics are dashboard items that serve to point good managers towards a correction or resolution and to feedback information to other teams.

Real KPIs, therefore, should be as few as possible. Again, simplicity rules the day. An organization can legitimately have many metrics, but should only have a few PKIs. Too many and the organization will be fragmented and distracted. The authors suggest 3 to 5.

The temptation will always be present to add additional KPIs. In the opinion of the authors, however, having more than a powerful handful of KPIs is counter-productive to success.

**Good KPIs vs. Bad Ones**

Simply stated, KPIs should be meaningful, actionable, easily understood, cost effective to measure, and as few as possible. This is, in the opinion of the authors, true of all departments within any organization, but especially true for dynamic technical companies.

**Meaningful**

A KPI of “Low Cost per ticket” is meaningless, especially absent context. Low Cost as compared to what? Low Cost per Ticket can be achieved by being efficient, by hiring cheaper staff or otherwise compromising on quality, or by having more and smaller tickets (even to the point of stretching single issues across multiple tickets).

**Actionable**

A KPI indicator should allow leadership to quickly take action. It can be beneficial from a planning, marketing, or operations standpoint to track things that cannot be influenced or manage (outside of immediate control), but these are not the kinds of things that you use for KPIs. For example, a KPI of total tickets handled may be interesting, but this is something it may be outside the control of the service team to reduce beyond a certain point.

**Easily Understood**

Complexity, although sometimes unavoidable, is the natural enemy of performance. A KPI should be related to core organizational objectives tightly. They almost a mission statement unto themselves. If the core objectives of an organization have to be explained to the people implementing them, the odds of success diminish rapidly.

**Cost Effective to Measure**

It may seem intuitive to state that the costs of collecting and acting upon KPI results should not exceed the real benefits of implementing them. This is relative to the size of the organization and the amount of revenues, but the principle holds true. For example, a KPI strategy that delivers fractional percentage improvements is untenable in a business with only a few service agents, but is likely worthwhile in a global enterprise.
What are the Recommended “Core” KPIs for Technical Customer Service?

Although there are justifiable differences between organizations, the fundamental KPIs for technical customer service organizations are:

- Net Promoter Score
- Support cost per customer
- Average number of contacts per customer

These KPIs are all value-multipliers in that they:

- Effectively and clearly support core business objectives
- Are enduring (can be continued indefinitely without significantly diminishing returns)
- Are quantifiable and relatively easy to understand
- Incent teams to drive value back into the organization is a recognizable way via savings, additional sales, and/or business intelligence

Net Promoter Score (NPS)

This is the king of metrics; spanning across all departments within an organization. Simply stated, it is a non-biased, customer-defined measurement of the likelihood that a customer would be willing to recommend to others that they purchase or utilize the product or services of a particular organization based upon their recent experience with that organization.

This measurement is based upon a single survey question, but is often and best applied as a pair of questions. The first question generates the score from zero through ten. The second question generates clear, simple, and actionable intelligence.

Sample NPS Survey Question Pair

1. Based upon this experience with the technical customer service team, how likely are you to recommend this company to friends and colleagues? [single answer, 0 – 10]
2. What is the primary reason that you gave your answer to the preceding question? [short, narrative response]

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2 This term was defined by Fred Reichheld of Harvard Business Review in his influential book “The Ultimate Question” (2006), Harvard Business Press. This work has been highly influential on the authors’ understanding of metrics and KPI value.

The NPS Scoring Model

The score is not represented as an average or a sum. Rather, the responses are divided into three categories.

♦ Those with receiving a nine or a ten are called “Promoters.”
♦ Those receiving a score of seven or eight are called “Passives.”
♦ Those receiving a score of zero through six are called “Detractors.”

The score is derived by calculating the percentage of responders in a given measurement period who are promoters and subtracting the percentage of Detractors. Passives are disregarded from scoring, but their narrative responses are considered.

For Example: If you received responses from 200 customers in a week, and 150 (75%) responded as Promoters, 10 (5%) responded as Passives, and 40 (20%) responded as Detractors, the resulting NPS would be 55% or .55 (75 minus 20). The higher the score the better.

The customer’s narrative response, associated with their category, provide actionable intelligence on the primary point of satisfaction or dis-satisfaction.

This only scratches the surface and it is not our intent to discuss the methods of sampling, information distribution, or other important attributes of this method. Attempting to do so within the confines and scope of this document would not do the topic justice and we will therefore leave that to the reader’s further review of the reference books listed. Suffice it to say, however, that the authors believe that this is the most important KPI tool available for technical customer service and into the entire organization.

Support Cost per Customer
It would be naïve to ignore cost measurement, but it is equally naïve to focus on costs per contact, per agent, or per incident.

Doing an exceptional job on a ticket can make an individual ticket can take longer, and thus be more expensive, but it can also prevent the same customer creating additional tickets and increase satisfaction and loyalty. In a modern Help Desk environment, a thorough, well documented ticket can also help in the creation of product documentation (Help, KB articles, etc.) and generate invaluable feedback to engineering and production. In short, the most expensive ticket/indent can yield some of the greatest value for the organization as a whole.
This is why the best cost measurement is the average cost associated with servicing the customers as calculated by taking the total costs of technical customer service divided by the total number of customer who have reasonable access to initiate a support contact (not just the ones who actually contact support). This not only creates a number of accountability points, it strongly incents the service team to deliver quality tickets (as opposed to fast or cheap tickets) and encourages the creation of KB articles and other documentation that may prevent some tickets from ever getting initiated.  

This calculation also will likely be welcomed by the board rooms of larger organizations since it allows for the projection of profitability and costs. Barring special circumstances and generally, a well-run organization may reasonably expect cost per customer supported to steadily decline over time.

Service cost per incident/ticket/minute are not effective KPI measurements. Service cost per total customers is.

**Service Contacts per Customer and per Product**

Service contacts per customer is the average number of times a customer has to contact the technical service team divided by the total number of customers for whom service is available. A score of 1 means that, on average, every customer needs support of some kind.

Service contacts per product is the average number of times a customers of a specific product or service have to contact the technical serviced team divided by the total number of customer who have purchased that product or service. A score of 1 means that, on average, every customer that has purchased that product of service needs support of some kind.

In both cases a lower score is better.

These two scores are a balance to the previous KPI and can help identify training issues, specific product or service related areas needing improvement, and potential general service quality issues even before they impact costs. They can also serve a dual role in that service contacts per customer and per product can be both a KPIs themselves as well as metrics supporting the NPS KPI and KPIs for other organizational departments (e.g., engineering, production)

**No Limitation**

It is worth noting that the three KPIs offered herein are not necessarily comprehensive when it comes to the needs of a specific organization. More may, and likely will be needed. However the three listed may be considered as applying universally. In any event, the total number of KPIs should be strictly limited and clearly differentiated from the metrics that support them, which may be many.

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4 The authors anticipate completing an additional white paper on the creation and proper use of customer service portals that will have profound impact on productive cost containment. When completed, this additional white paper will be available on the TechCenter.com website.
Summary

KPIs are a vital part of organizational management across all departments, but there are pitfalls to using KPIs effectively, including:

- Treating metrics as KPIs
- Too many KPIs
- Creating KPIs not in alignment with larger organizational objectives
- Creating KPIs that are not:
  - Meaningful
  - Actionable
  - Easily Understood
  - Cost Effective to Measure

Choosing the right KPIs and avoiding these pitfalls will deliver increased performance and profitability to the entire organization.

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