Benchmarking IT Services

April 2002

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Introduction   One of the difficulties that many organisations face when outsourcing their IT services, is ascertaining whether they receive value for money from their IT services supplier. A major problem with benchmarking IT services is that it is rarely an apples-for-apples comparison. IT services can vary substantially from one organisation to another, not only in the processes and procedures involved in the service delivery, but particularly in terms of the response and resolution times required by the organisation.

In early 2002, Farrell & Associates conducted a benchmarking study into the fees charged by IT suppliers for IT services in Australia. The aim of the study was to ascertain the range of market prices for IT services that were being charged by IT suppliers as part of their outsourcing strategies, and to provide organisations with a guide as to whether the fees they were paying for their IT services were comparable with the marketplace.

One of the limitations of the benchmarking study was that the costs of IT services can vary significantly from one organisation to another. The fees for IT services can vary for several reasons. There may be differences in the requirement for availability of the service, the number of customer units involved in the IT service (e.g. the number of desktop PCs to be supported), different response and resolution times, different processes and / or procedures required by the organisation, or variances in the delivery of the service. All of these differences make it extremely difficult to benchmark IT services at a detail level with any degree of accuracy. At best, a range of services can be given.

By way of example, the main reason for variance in IT services fees is due to the requirement for availability of the service by the organisation. Some organisations require 24 x 7 availability while others require Monday to Friday 9:00 to 5:00. Some customers require availability across several time zones while others require additional availability on Saturdays and / or Sundays.

Based on availability requirements the price for the same service could vary by as much as 60%. For this reason, the benchmarking was carried out at a broad overview level rather than an in-depth analysis level.

Outlined below is a discussion of the various services offered in the marketplace by various IT suppliers, by major service group. Each group is discussed in terms of the range of services offered by different IT suppliers, the usual method of charging the fees, and how this affects the range of prices offered. For each service or service group, a range of typical service fees is provided.

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Service Group	Comments
E-Mail	Most IT suppliers charge for email services on a per mailbox basis. All outsourcers provide the basic set of services included in this charge, i.e. Security, System administration, System Monitoring and User Support. The pricing charged by IT suppliers ranges from around $10 per mailbox per month to $16 per mailbox per month. This figure is based broadly on a range of 3,000 to 8,000 mailboxes. The main reason for the difference in pricing is due to the number of additional services provided. These can include: ▪ Administration of calendars and distribution lists ▪ Administration of global directories ▪ Synchronisation of calendars ▪ Availability of Standard Electronic Forms Library ▪ Virus checking on servers ▪ Mail Storage reporting ▪ Backup & Restore of mail components ▪ The volume of mailboxes to be maintained – a smaller number of mailboxes typically leads to a higher per mailbox figure.
Desktop Software Services	IT suppliers provide a wide variety of services for supporting desktop and notebook PCs. At the least these services include: ▪ Software upgrades and enhancements ▪ Software support – both operating system and agreed other software (e.g. Microsoft Office) ▪ Virus Checking software ▪ Software Licence management ▪ Software Distribution The prices for this service group can vary depending on the range and complexity of software to be supported on each PC. Some customers require only a basic set of software for each PC while most customers group their software requirements into several tiers of software based on the usage levels of their users i.e. basic, workgroup and advanced.

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Service Group	Comments
Desktop Software Services (cont.)	IT suppliers may bundle both hardware and software support into the one price, making it difficult to compare prices (desktop hardware support is discussed under Personal Computing below). Some IT suppliers also bundle other services into their pricing, such as:

- Asset management of the desktop
- Help Desk
- Remote Access services
- Change Management
- Customer satisfaction surveys

They may also differentiate between desktops and notebooks with their pricing (notebooks are typically charged at a higher rate).

The prices charged by most IT suppliers for Desktop Services ranges from around $10 per PC per month to $30 per month, with one vendor charging around $110 per PC per month. The wide range for these prices, particularly for the very high figure, is primarily due to the range of services bundled in the pricing, as described above.

Server Management

IT suppliers provide similar services with regards Server Management. These services typically include:

- Monitoring
- Operations & Support
- Backup & Restore
- Access Control
- Housekeeping
- Server Software Management
- Output Management (for print servers)

Some IT suppliers provide a complete Server Management service which would also include such services as:

- Capacity Management
- Configuration Management
- Performance Management
- Remote Access Support
- Storage Management

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Service Group	Comments
Server Management (cont.)	- Disaster Recovery Management - Security Management - Software Library Management (for remote software distribution) - IP Address Management - Job Scheduling (for batch jobs run on the server). As such the costs of Server Management can vary widely from one vendor to the next and from one customer to the next depending on the range of services offered by the IT vendor and required by the customer. The price for Server Management services may also vary depending on the size and complexity of the server, and what it's being used for. For example large enterprise servers will typically be charged at a higher rate while small print servers will usually cost less. The typical price charged for Server management varies from around $800 per month for a small server up to around $1,700 per month for a large enterprise server. These prices do not include firewall servers which are typically much higher (see Internet Firewall Monitoring & Maintenance below for this pricing).
Help Desk	Pricing for the Help Desk can vary due to a number of factors. The method for charging the service can also differ from one IT vendor to another. For example, most IT suppliers charge on a call basis, however there are different interpretations of what constitutes a call. It may be a "case" i.e. a problem to be solved, or it may be every contact someone has with the Help Desk. Some IT suppliers charge a flat fee for the Help Desk. This could be based on an expected range of calls e.g. $X for 6,000 calls per month plus or minus 10%. X is typically calculated on a three month moving average. In other cases it may be based on a flat fee per PC. IT suppliers can differ in their interpretation of what constitutes 1st level call resolution. The accepted industry standard for 1st level resolution is that it only occurs when the person who receives the call from a user is able to resolve the problem at that first call i.e. if the Help Desk analysis, or if the call is assigned or passed onto another consultant has to ring the user back after carrying out any person for any reason the call is not considered to have been resolved at first level.

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Service Group	Comments
Help Desk (cont.)	The availability requirement and expectation of 1st level call resolution are the main factors for price variance with the Help Desk. For example a Help Desk which needs to be available 12 x 6 with 80% call resolution at 1st level will have a higher charge than one with 8 x 5 availability and 70% 1st level call resolution. Most suppliers do not charge a separate fee for calls which need to be resolved at 2nd or lower level, this is bundled into the call cost.
	Another factor which determines the price charged by IT suppliers is the range of IT infrastructure that needs to be supported. If there are multiple operating systems, a large suite of software products, multiple hardware platforms and a high degree of remote access capability, then the price to be charged will typically be higher.
	In terms of price per call (i.e. problem resolution) IT suppliers charge around $15 to $40 per call. We have also noted an IT vendor charging a flat fee of $60 per PC per month for the Help Desk service regardless of the number of calls made by the customer.
On-Site Support / Personal Computing	Personal Computing typically consists of three services: support & maintenance, upgrades and installation / relocation. Hardware support & maintenance is usually provided by the vendor who sold the PC in the form of a no-charge three year warranty, with an option for an additional maintenance contract for faster service, at an additional cost. This cost may be charged at a monthly rate, or is simply added to the purchase price with a time limit for the additional warranty (usually the same period as the normal warranty).
	The conditions for the additional warranty may also vary. For example it may be 4 hour response or next business day response and may be on-site coverage or return-to-base.
	IT suppliers will usually offer a monthly maintenance contract for any PCs not covered by warranty. Some customers prefer to opt for a cost per service, which is charged at an hourly rate with a minimum period for the service, e.g. one hour.
	Upgrades and installation / relocation are typically charged at either time & materials or an agreed amount per service plus the cost of any parts e.g. additional memory, faster CPU, etc. There may also be an hourly rate applied to these services.

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Service Group	Comments
On-Site Support / Personal Computing (cont.)	Some IT suppliers bundle support & maintenance and upgrades into the Desktop Support services. All the customer has to pay for is the cost of the additional parts where the PC is being upgraded.

Because of the many different variations of pricing for this service group it is difficult to compare prices among the IT suppliers. The following prices can be used as a guide however.

Additional Warranty: $130 - $250 for three years. The lower amount is for return-to-base, the higher end for on-site, next business day

Maintenance (non-warranty):

: $250 - $400 per month per PC depending on configuration and make.

Hardware call out: $110 - 180 per hour with a minimum of 1 to 2 hours

Installation / Relocation: $150 to $400 per item

Asset Management

Asset management is a service essential to all organisations. It typically covers such items as:

- An IT asset register including configuration details

- Software licence register cross-referenced with the IT asset to which the software has been assigned

- Tracking of all IT asset movements – installations, relocations and disposals.

- Recording of all IT asset upgrades

- Ownership & responsibility details e.g. whether purchased or leased, workgroup / business unit to whom it belongs, etc.

IT suppliers typically charge for asset management on a per item per month basis and may include a standing charge to cover the maintenance of the asset management system. There may also be a monthly limit on the number of transactions for the asset management system.

From our review of the IT outsourcing marketplace we consider that IT suppliers charge in the range of $3.75 to $7 per IT asset per month. Some IT suppliers include Asset Management in their Desktop Support or Personal Computing charges, so this should be taken into account when comparing these services.

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Service Group	Comments
Network	Network services typically include such services as:

Network (continued)

- Monitoring, Performance & Availability

- Network Hardware Maintenance (e.g. routers, switches, hubs)

- Network Address Management

- Problem Resolution

- LAN / WAN Access & Security (Some IT suppliers may include this under the Security services group)

- Remote Access Administration, Monitoring, Maintenance and Problem Resolution

In some cases IT suppliers will include the provision of Internet and Intranet capabilities, although not the provision of Internet firewall or web hosting services, which are always charged separately

The methods for charging for these services by IT suppliers vary considerably, from a charge per LAN / WAN to a charge per IP address and in some cases a multi-dimensional fee based on the number of desktops connected to the network, the number of servers and the number and capacity of WANs. In addition the maintenance cost of the various network hardware needs to be taken into account. The cost of this can also vary depending on the type of maintenance agreement negotiated for the network hardware.

Backup & Restore

Most IT suppliers provide Backup & Restore facilities as part of other service groups, such as Server Management, although they may also be charged separately depending on the volume of backup & restore that is required by the customer. The price for this service may vary depending on whether the backup / restore is carried out locally on the server or across the network by a central coordinating site.

Due to the fact that the fee is bundled with other service groups we have been unable to ascertain market prices for this service.

On-site Server Maintenance

Similar to additional warranty / maintenance for PCs, IT suppliers offer additional warranty and / or maintenance for servers. This is typically on-site maintenance with a 2 or 4 hour, or next business day on-site response depending on the criticality of the server to the customer's operations.

The prices charged by IT suppliers are similar to those for PCs, i.e. around $130 - $250 per month provided the server is under a manufacturer's warranty

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Service Group	Comments
Internet Firewall Monitoring & Maintenance	Monitoring and maintenance of Internet and Intranet Firewalls is a very specialised service, carried out only by organisations who have specific capabilities in this area. With the lack of widespread offerings on this service the prices charged by the organisations who do provide it attract a premium over normal service provision.
	From our analysis of the marketplace we estimate that the fee for monitoring and maintenance of firewalls on a server ranges from around $3,600 per server per month to around $4,900 per server per month. The variation in pricing is due mainly to the configuration of the server and the complexity & frequency of maintenance of the business rules required by the customer.
Security	This service group is sometimes offered as a specific service by some IT suppliers, while other IT suppliers will provide security services as part of other service groups, e.g. Desktop Support, Email, Remote Access, LAN & WAN services, etc. The Security service group typically includes such services as:

- User Access to Systems
- User Access Profile Maintenance
- Virus Protection
- Internet Security
- LAN Access
- Internet Firewall Monitoring and Maintenance
- Intranet Server Monitoring and Maintenance

For the purposes of this benchmarking study LAN Access has been included in the Network services group and Internet Firewall Monitoring and Maintenance services have been broken out and analysed separately.

- From our analysis IT suppliers would charge the five remaining services in this group in a range of prices from around $5,500 per month up to $11,800 per month. This wide variation is due to the difference in the method of service delivery and availability requirements per customer.

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Service Group	Comments
Service Management	Many of the services in the Service Management group are services that most organisations expect to be included as a part of the professional "way things are done". Further, they represent the "soft services" which organisations, when questioned, appear to equate with added value. Technical efficiency when delivering technical services is expected from all suppliers of IT services. The "soft services" become differentiators but only if they are valued by the organisation.
	The majority of the services in the Service Management group are typically not broken out and charged separately by IT suppliers. The costs involved are usually spread across the rest of the services which are to be provided by the IT supplier. Where the services are charged separately, IT suppliers charge anywhere from $10,000 to $90,000 per month. The large variation is this figure is primarily due to the scope of the nine services in this group being provided.
	Outlined below is a review of the ways in which Services Management services are typically offered by IT suppliers.
	Change Management An efficient technology change function provides significant value to both vendor and customer. This service, when done properly, can consume large amounts of time and requires sophisticated systems to track and monitor changes throughout the change process. We have seen this service itemised separately but it is more usual to see it included as an activity in every other technical service e.g. change management is included in desktop management, server management, network management etc.
	There are pros and cons for both approaches. However, where this function is included in other services, we have noticed a tendency for the various change management responsibilities (both vendor and customer) to become confused with those of any "attached" service
	Continuous Service Improvement This is more usually included as part of the contract terms and conditions. The problem with that is that it then ends up being just an annual cost reduction exercise with little thought having gone into service improvements on an ongoing basis.

Service Group	Comments
Service Management (cont.)	**Customer Satisfaction Surveys** Very few suppliers identify this as a separate service with its own associated costs. It is more usual to find some sort of call back process included in the help desk service with any analysis provided as an integral part of the service delivery function. **Management of 3rd Party Maintenance Contracts** This is sometimes included in the asset management service. It is becoming more common to see it promoted as a separate service but its value is still not well understood. Many customers prefer to manage their own contracts. **Program Management** The value of Program Management is not well understood. Most customers (and some suppliers) confuse project and program management and expect the activities of a program manager to be included in any project management costs. Some organisations appreciate the value of this service but may view it as part of standard project management and therefore not of value as a separate service. We seldom see Program Management separated from project management in other agreements. **Quality Management** This is something that most customers expect from their suppliers and do not expect to have to pay additional service fees to obtain this. It is usually viewed as being an integral activity of any service organisation. **Relationship Management** The value of this service has become widely accepted within the industry. However, organisations usually believe that they should not have to pay a separate fee for this (in addition to service fees). Their approach has always been that a supplier should understand the value of maintaining good relationships with a customer and that this service should be provided as part of "business as usual". **Service Delivery Management** Once again the position of most organisations has been that this service should be provided as an integral part of delivering good services.

Service Group	Comments
Service Management (cont.)	**Service Mix Management** This is closely allied with Relationship Management and Service Delivery Management. However, this particular service is usually designed to ensure that the IT supplier can clearly demonstrate that the service required by the organisation and delivered by the IT supplier supports the organisation's business needs.