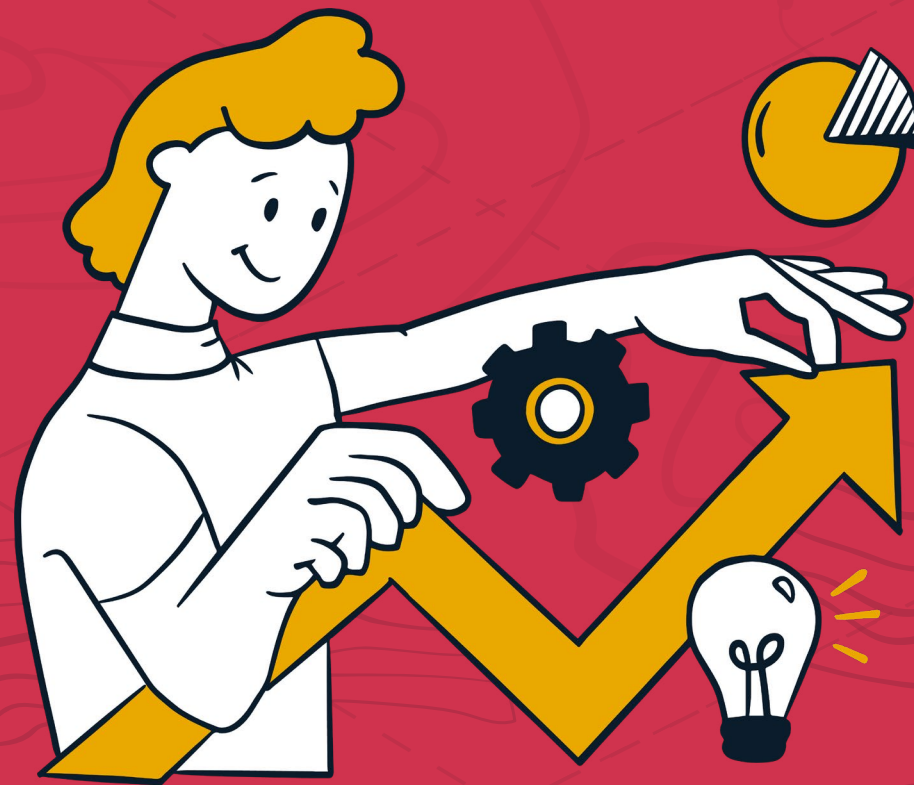


Unlock Success: The Top 8 Business Metrics Every MSP Needs to Manage





While running an MSP requires focusing on services and clients, MSP leadership also needs to track the success of their own businesses.

Making informed decisions about profit and loss, adapting to the market, and monitoring your operations take tremendous time to track and build a successful business plan around.

To start, accessing the data you want to track in your business can often be a full-time job on its own. It can even be too difficult to do realistically regularly. With difficult and time-intensive processes of accessing and processing business data, what metrics are relevant to your business? What statistics will offer the most insight and benefit to running your business?

Most MSPs find getting reporting out of their Connectwise ticket data challenging without a business intelligence platform like Cognition360 – it's a huge undertaking to hone in on data they find most valuable and actionable. They need to make better operational and financial decisions faster.

That's why we've created this guide to the eight most important business metrics for MSPs. This list is based on feedback and discussions with MSPs across the industry, including MSPs who have begun using Cognition360 as a centralized business intelligence platform.

Let's dive into what each of the metrics are and why they are important for MSPs.



1. Team Utilization Rate

Team Utilization Rate is the measurement of time used for billable work as a percentage.

The Team Utilization Rate is determined by **dividing the total number of billed hours by the total hours a team member has available to work.**

For example, if a staff member bills clients 26 hours in one week and they have 40 hours available, their Utilization Rate is .65, or 65%.

It's best practice for the rate never to reach 100% since your staff is not likely to dedicate all of their time to clients. Staff have a variety of responsibilities, and internal work is often an important part of their roles.



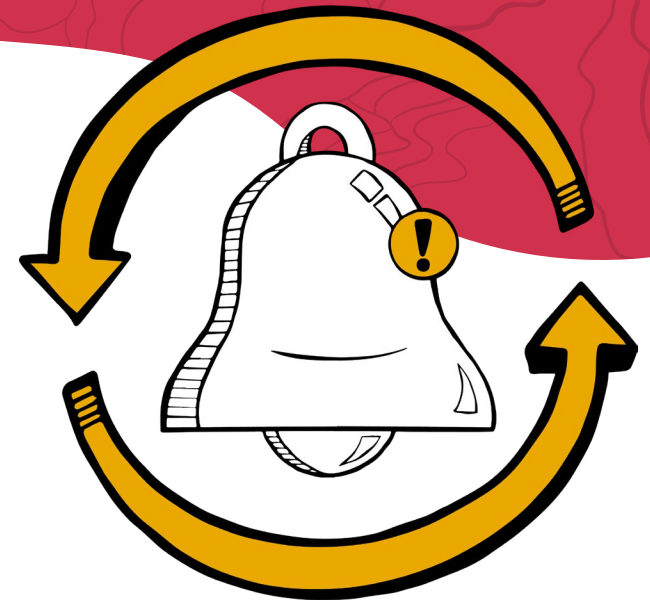
Best Practices

It's best practice for the rate never to reach 100% since your staff is not likely to dedicate all of their time to clients.

The goal of tracking the Team Utilization Rate is not to achieve 100% uptime but to assist in identifying manual and duplicative work that takes up too much time, either with clients or internally.

By creating a more efficient workflow for your team, the Utilization Rate will adjust to the right level for your business, producing more accurate reports.





2. First Touch Resolution

First-touch resolution is the percentage of support tickets resolved the first time an employee attempts to fix the issue.

The method doesn't matter, whether through an email response, live chat, or phone call. **If the ticket is resolved on the first attempt, that counts as first-touch.**

A high First-Touch Resolution percentage can show that your support processes are clear to clients and they have the tools and understanding to solve the issues without a major knowledge gap.

This metric is a great way to get feedback on how the support service is doing overall. **When looking at service effectiveness, MSP administrators can see exactly how effective support staff and services have been.**



Best Practices

The industry standard for First-Touch Resolution percentage is around **70%-80%**



Of course, not every issue can realistically be addressed on the first touch. However, increasing this metric will benefit both the MSP and its clients. In general, the industry standard is around 70% to 80%.



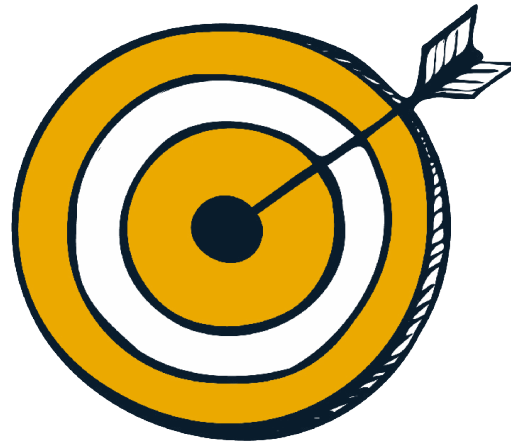
3. Single Tech on Ticket

How many techs does it take to resolve a ticket? Hopefully, just one.

Knowing how many technicians are brought in to solve each support ticket can be a vital metric to track. This is a KPI that MSPs look at to see how efficient an engineer is. They can see if certain tickets need to be escalated or what problems require multiple staff members to resolve.

It's a great metric to look at for technician training opportunities or to see if a technician is ready to move to the next level. It's also a great metric to show clients. **MSPs can demonstrate the effectiveness of their staff and service by showing the rate at which support is handled by a single person.**

That level of service will help MSPs develop trust with their clients, building a better client relationship for future business. More trust can directly lead to increased service buy-in in the future and more reliable contract renewals.





4. Kill Rate Percentage of Tickets

The Kill Rate Percentage, or KRP, is the ratio of closed and open tickets.

This helps inform MSPs of how well they stay current with support tickets while preventing long backlogs from piling up.

Ideally, the KRP should be close to, if not at, 100%. A high KRP shows your team's efficiency at closing tickets. If the ratio is too low, it can also be a valuable indicator of where adjustments need to be made.

Do staff need help catching up on their backlog? Are there resources missing from the team that could help improve the KRP? By monitoring this metric, MSPs can clearly see how effective their team's workflow is.

Reducing the backlog of tickets is obviously a huge benefit. It's not just because it means that staff spend less time on old tickets, but because they can start addressing new tickets much more quickly and will be faster resolving the issues presented.



Best Practices

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5. Open-Close Same Day Percent by Board

This metric measures the number of tickets completed on the same day they are received.

The Open-Close Same Day Percent metric is important when viewed alongside other metrics like First-Touch Resolution and Kill Rate Percentage.

Putting the process and success of ticket resolution on a timeline can provide more clarity to MSP administrators when evaluating the workflow.

The Open-Close Same Day Percentage is also valuable when tracked over time. **Seeing how this percentage trends over a given time frame can show how other factors in the support team's workflow are slowing them down.** Is the percentage trending down over two months? There could be an issue with the staff's work capacity.

Tracking this metric is a huge benefit for MSP administrators who want to make more informed decisions based on historical data.





6. Agreement Profitability Margins

The Agreement Profitability Margin is your gross margin on your client service agreements. It is based on two statistics: Client Lifetime Value and Client Effective Rate.

Client Lifetime Value (CLV) is the total potential profit you make from a single client. The clients with the highest CLV are the most financially valuable for your business. Taking note of which clients are most valuable and why, your MSP can target prospective clients with similar traits to improve value across your portfolio.

Client Effective Rate (CER) is the money made on a client based on the service time needed. It's essentially revenue per hour. MSPs with multiple service categories can use this metric to track revenue by each service category on every account.

Tracking the Agreement Profitability Margin is vital for MSPs to understand how their decisions, products, and services affect the bottom line.



Best Practices

When looking at the overall Agreement Profitability Margin, each agreement should have a gross margin of about 65%. **Approximately 65% is generally considered to be the standard gross margin percentage.** If your margin is less than that, your services may be priced too low, service staff may not be efficient, or workflow and processes may not be working correctly.



7. Effective Rates and 8. Contribution Rates

The measure of effective rate is how effectively your customers use the engineer's time compared to what they are paying.

It's the amount of time the MSP invoices divided by the hours put into that contract. Tracking this KPI helps your MSP gauge the profitability of an individual account.

You can compare hourly billing between customers and see which customers are more profitable than others. It's also valuable to see a view of the performance ratio of an engineer's time vs the dollars made.

Some customers may make up a large portion of your revenue but have a low effective rate, meaning they are not as profitable for you as other clients. Since more time is spent resolving their problems, this may generate less revenue than expected.

The Effective Rate helps identify profitable clients and those taxing on resources without receiving enough financial benefit.

The Contribution Rate uses the same formula as the Effective Rate but includes labor cost. It is intended to give a true picture of the money made per hour on each agreement.

It's the total billed amount (minus labor and product costs) divided by the total hours worked. It measures the proportion of revenue contributing to profit after covering the service's direct costs.





What do MSPs do with this information?

While MSPs are service providers trying to help companies with their IT strategy and management, they are also businesses that need to earn a profit.

While all business owners have plans for how to operate in the short and long term to meet their goals, the realities of running a business can get in the way. That's why getting a better understanding of how your business actually works is so impactful for MSP owners. Knowing the performance metrics of your team and clients lets MSPs make precise decisions about the internal processes their business uses.

It's not just about giving MSP action items. Measuring your business' internal performance metrics can change how you manage operations day-to-day. You no longer need to manage every aspect of the data to try and stay on top of it. Once you get the MSP in a comfortable place to provide high-quality service and sustainably build toward long-term business goals, you can change how you manage the business data.

In our discussions with MSPs, they say that by incorporating more robust business intelligence reporting and monitoring, they have been able to shift into a "managing by exception" approach.

MSPs no longer have to examine all of the data to keep up. When you understand what metrics like your Agreement Profitability Margins and your Team Utilization Rate should look like, you only have to manage the outliers.

Is there incorrect data? Inconsistencies in the numbers being reported? Problems with staff time reporting? Is ticket resolution time trending in the wrong direction? Then, you can jump in and directly address the issues.

For example, it is important to be able to see the busiest time of day based on tickets and see if a particular staff member is being overutilized based on hourly time. An MSP looking to grow would be interested in focusing on the utilization rate and how much time is billable per day to identify areas for improvement.

When everything is working smoothly, you can trust that the business is moving toward its goals as long as the reporting stays in line.

How does benchmarking fit into the mix?

Benchmarking provides a clear framework for performance improvement across key business metrics, and is frequently used by MSP peer groups to help members dig into potential trouble areas and share success stories to build out best practices. Whether you choose to join a peer group or not, Cognition360 allows you to not only make internal comparisons across your own team members, but also see how your organization matches up against best-in-class standards created from the analysis of hundreds of millions of time entry tickets.

Time Entry Quality: By benchmarking time entry quality, MSPs can ensure consistency and precision in time tracking, leading to better client invoicing, resource allocation, and financial reporting. This is one of the most underrated and unexpected efficiency measures – entering time on tickets in a timely fashion has a huge positive impact on every MSP business.

Technician Efficiency: Benchmarking technician efficiency involves comparing performance metrics such as response times, resolution times, and overall productivity against others internally and industry best-in-class standards. This helps your service delivery team identify gaps and coaching opportunities and implement best practices.

Agreement Profitability: Rapidly evaluate the financial health of your service contracts. This can highlight underperforming agreements and provide insights into pricing strategies, service levels, and cost management, ensuring sustainable profitability. You can have very high-touch clients as long as they're paying fairly for the service your MSP is delivering.

Project Profitability: Benchmarking project profitability involves analyzing your projects' cost-effectiveness and revenue generation. This process identifies successful projects and areas for improvement, ensuring efficient project management and increased profit margins. It's especially useful for getting an early warning on projects that are starting to go sideways so your leadership team can right the ship before it hits the rocks.

Cognition360's benchmarking provides MSPs with practical comparative insights and actionable data to enhance performance, optimize service delivery, and achieve sustainable growth.

Where do you go from here?

With all this said, it's clear that focusing on business intelligence data is a major factor in MSPs' success and growth.

You can see areas in which you need to improve or identify trends that are harming productivity or profitability. In fact, recording this data over time to identify trends is one of the best ways to utilize this information. It's this deep collection of data that allows Cognition360 to build out robust performance benchmarks versus just snapshotting the current state.

Cognition360 takes ConnectWise Manage data and transforms it gives MSPs easy access to sophisticated reporting and analytics. The speed and accuracy of reporting offered by Cognition360 offer MSPs insight they would otherwise be unable to see.



Want to see how Cognition360 would work in your business?

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