

The New Landscape for Business IT Service & Support

*Alex Kalamarides, Ph.D., Managing Director,
and Eric Shuster, CEO, IntelliClear, Inc.*

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Abstract

Gradually but surely, a new landscape is emerging in the delivery of IT service and support to businesses and organizations. The old paradigm of support provided on a device-specific basis by OEMs, their channel partners, specialized systems integrators and IT consultants, is being supplanted by a broader new approach that is no longer device-specific or even IT-specific. This new approach enables IT service and support to deliver the full set of service-related bottom-line goals of the business or organization. For OEMs and their channel partners, this evolution presents a unique opportunity to power all business services their customers offer both internally to their employees and constituents as well as externally to the markets and customers they serve.

The Incumbent Paradigm

Service and support for PCs, servers and other IT equipment has traditionally been treated by Original Equipment Manufacturers (OEMs), IT resellers, internal IT departments, and other service providers as the sum of a set of offerings, some seen as cost centers and others as potential profit opportunities. For example, most IT devices come with a base warranty that covers parts and labor for hardware repairs – at a cost to the seller or OEM of the equipment – for anywhere from 30 days to 3 years.

Beyond that base warranty, a myriad of other device-specific for-profit IT service offerings kick in, broadly falling into the following groups:

- Extended warranties and service contracts that take over once the base warranty expires
- Set-up, installation, training for hardware/software
- Accident, damage and theft protection, as well as other out-of-warranty services

- System tune-up, diagnostic and troubleshooting
- Virus and malware removal

In addition to the above device-specific services, various data-related support services have enjoyed increasingly important roles. Those include disaster recovery, data migration, file transfer, and similar-type offerings. IT resellers and specialized services companies have offered those services for years. The resultant market keeps experiencing healthy growth as the number of commercial businesses interested in these offerings expands.

Traditional Agents of Evolution

The above-described types of IT service and support have consistently enjoyed healthy above-average sector economic growth over the years for three reasons:

1. As IT became a ubiquitous part of every business enterprise, the market for “attached” services kept expanding together with the ever-growing proportion of small and mid-sized businesses (SMBs, i.e., enterprises typically with up to 500 employees) that set up their first servers, computer networks, storage systems, and software application licenses.
2. As the emphasis shifted away from IT cost of purchase to Total Cost of Ownership (TCO), the result was a parallel shift in relative proportions of IT spending so that capital expenditures in equipment gradually became a smaller proportion of the total, whereas operational expenses, including spending on IT service and support, increased proportionately.
3. As the use of IT equipment evolved and matured over time, “second generation” service types, such as security-related services (virus and malware removal, as per above) increasingly jostled for market with long-established break-fix activities.

However, the above three agents of growth – which continue to drive IT vendors’ marketing plan discussions and market sizing forecast forums – are only the visible tip of the iceberg, underlying tectonic shifts in this market.

Crucial Undercurrents

Use of IT continues to increasingly affect business operations in terms of extent as well as intensity. The

breadth of business processes dependent on IT for their smooth functioning – in the form of automation based on software applications and hardware equipment – keeps growing year after year: large enterprises are still far from automating all their processes, and SMBs are still behind large enterprises in the adoption of aspects of automation where economies of scale are not yet favorable. As long as IT applications keep improving, and adoption of such applications keeps generating economies of scale, this overarching trend towards more extensive use of IT will continue regardless of the macroeconomic environment.

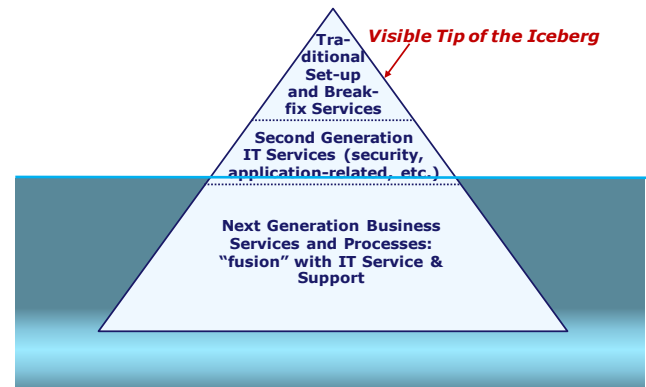
However, and crucially for our discussion of service and support, the *intensity* of IT use keeps increasing also. At an elementary level, this is easy to observe: for example, the ratio of actively used PCs to employees across businesses in developed countries is now above 1.0 – substantially higher than the 0.7 figure registered a decade ago. Fundamentally though, what is happening is that rather than IT serving businesses and organizations (i.e., employees, processes, non-IT resources), on the contrary the latter are beginning to gradually adapt to the needs and capabilities of IT. In essence, operational business environments are inexorably driving towards a fusion with their IT systems and IT departments.

This developing fusion, when added to the greater maturity of IT users today, changes dramatically the needs of businesses and organizations for IT service and support. The changes can be summarized as follows:

- Employee and stakeholder interactions with IT become far more diverse and, thus, less predictable. As a result, the range or gamut of IT issues that pop up and need to be addressed becomes breathtaking. Having the answers at an IT support help desk becomes far more challenging.
- The line between what is considered IT vs. what is non-IT becomes more and more difficult to pin down. In a sense, support and service needs of employees and stakeholders are just that, support and service needs, and it becomes irrelevant whether they are also labeled IT or not. In IT parlance, support for software applications “spills over” to business process design, management and execution.
- Even the line between employees and other stakeholders – customers, suppliers, partners – gets

blurred because most of the efficiencies generated by IT systems rely on extensive systems interconnections with these other stakeholders, in the form of e-commerce, intranets, web 2.0, and many other analogous paradigms. These interconnections confuse the distinction as to which service and support issues fall within the responsibility of the business or organization and which are clearly outside of it.

IT Service & Support Evolution



An immediate end result of the above is that demand for support services across any group or organization that offers such services keeps growing substantially every year, regardless of two key counteracting factors:

1. The budgets of many support services groups or organizations often stay flat or decrease
2. New support services groups spring up to handle the increased demand

Supportindustry.com, a services industry monitoring group, conducts an annual survey¹ of ~100 high-level executives in the USA responsible for a range of internal help desk and external customer-facing functions and representing vertical sectors across industry. In early 2009, 59% of participants indicated that demand for their support services had increased compared to the previous year, even though only 20% saw their budget increase. In early 2008, before the economic crisis hit, the discrepancy was similar: 74% indicated that demand for their support services had increased, but only 45% had seen their budgets increase as well. In fact a discrepancy of more than 20% between those who see demand increase and those who get budgets increased has persisted at least since 2003 when these surveys began to be conducted.

Adaptation and Evolution

To contain this sea of change long-term would be untenable without some major shifts in strategy, scope and execution on the part of support and service organizations. This applies both to internal IT departments providing support to their users as well as OEMs and others providing IT support services to their customers.

It is not possible for these organizations/departments to stay in business or maintain basic customer/constituent satisfaction levels when demand for their services keeps growing relentlessly while available budgets clearly do not keep up with demand. Indeed, to “achieve the impossible”, three major areas of evolution have marked the operations of service and support organizations over the last few years:

1. Extensive use of Knowledge Management tools
2. Improvement of Self-Help enablers and modalities
3. Connection with Sales & Marketing tools, like CRM

It is instructive to discuss each area in more detail.

1. Knowledge Management

Knowledge Management (KM) refers to the availability and use of repositories of technical information, including rich yet standardized descriptions of thousands of case histories. Support staff responding to a service-related call can access these repositories, which are usually in the form of databases, and oftentimes match and resolve the problem at hand, based on previously documented cases.

The practice of KM has benefited tremendously in recent years from the development of databases that are extensive enough and intelligent enough to be useful across a substantial fraction of the service and support requests received. All major IT OEMs and Independent Software Vendors (ISVs) have made great strides in that direction in recent years, and many of them today boast highly functional KM databases with tens of thousands of distinctly documented cases. Most vendors tend to keep their KM tools proprietary, so that they can use those tools for three main purposes:

- Efficient and quick resolution of service and support issues by the vendors themselves, e.g., over the

phone. Essentially KM allows many types of problems that would have escalated to Level 2 or even Level 3 support in years past to now be resolved by Level 1 support, say, within 15 minutes of the initial customer call and without any support call hand-offs. This allows the proportion of support calls that are classified as Level 1 to push upwards of 70% or even 80%, with a resultant increase in reported customer satisfaction levels.

- Improvement of channel organizations’ effectiveness as service and support partners, by sharing – and cross-sharing – updated KM tool versions within a select pool of the vendor’s resellers, integrators, suppliers and other partners.
- Marketing use, by portraying their KM tools as key sources of differentiating advantage and higher after-sale customer satisfaction relative to their competitors. Certain vendors have been able to increase their service and support image substantially in part through the inspired communication of the capabilities of their KM tools.

2. Self-Help

Self-Help refers to the set of tools and capabilities that allow users to maximize the proportion of issues they resolve on their own, rather than using human resources of their support organization or help desk – either at the internal corporate IT department level or at the external service provider (IT vendor, channel partner, etc.) level. Self-help can take a large load off of the service & support organization, and it is the second area where significant improvements have been made in recent years, mainly through the breathtaking broadening of available support modalities. Most of those modalities effectively act as conduits that enhance the proportion of support issues that get resolved with minimal, if any, intervention from service and support staff.

The graph below shows the support modalities offered by a representative sample of service and support providers to their customers, as measured in the previously mentioned¹ 2009 supportindustry.com study. Besides the ubiquity of phone support, offered by 95% of providers, two aspects of the graph are especially interesting:

- The large number of different modalities, besides phone, offered by an average provider of service and support: the average in 2009 was 5.5 out of the 12 modalities tested, a significant increase on the 4.3 average registered in the same study a year earlier.
- The self-help – or minimal support staff involvement – nature of five out of the twelve modalities tested: KM, Dynamic FAQ, Email auto-response, User forums, and Webinars. An average of 2.1 of those five modalities were offered in 2009, a very healthy increase from the average of 1.6 in 2008.

Choice	[N]	% of Respondents	Graph/Respondents	% of Responses	Graph/Responses
Phone	99	95.2%		19%	
Knowledge management/knowledgebases	65	62.5%		12.5%	
Dynamic FAQ	23	22.1%		4.4%	
Email autoreponse/suggest	64	61.5%		12.3%	
Text Chat/Instant Messaging	27	26%		5.2%	
Screen sharing	47	45.2%		9%	
Remote control	45	43.3%		8.6%	
Remote diagnostics	27	26%		5.2%	
Electronic case submittal on web	52	50%		10%	
User Forums	32	30.8%		6.1%	
Webinars	34	32.7%		6.5%	
Other	6	5.8%		1.2%	
Total Respondents:	104				
Total Responses:	521			100%	

Web-enabled self-help is an important and growing aspect of IT support. A separate 2009 study of supportindustry.com² documented the one most important benefit from implementing self-service technologies, as perceived by service and support providers. As expected, increased efficiency, reduced costs and reduction in number of support requests accounted for the majority (67%) of responses. Interestingly, however, another 16% of respondents pointed to greater customer satisfaction and loyalty as the key benefit.

This last point is particularly important because although services-oriented businesses and organizations tend to get equally high or even higher satisfaction ratings than IT product vendors according to the latest research from the

Service and Support Professionals Association (SSPA)³, they do tend to also have relatively lower loyalty ratings. Web-based self-service modalities tend to improve loyalty levels because they allow customers and users to refine and redefine the service brands through their web requests and activities. Oftentimes those requests stretch the limits between IT and non-IT, as discussed, and force/enable service and support organizations to expand their purview of areas of business support.

3. Sales and Marketing Tools

The third coping mechanism of service and support organizations to increased demand and reduced budgets aims at using technology to enhance the overall customer service experience by providing various support-related value-adds. Many of these value-adds can be translated to profit centers for the service provider, for example through enhanced Service Level Agreements (SLAs).

Remote monitoring and management of IT systems is just such a value-add. The service, often offered for free with a base warranty, allows vendors and other service providers to proactively identify and address equipment issues and faults – often with minimal if any customer involvement. In addition to lower service & support delivery costs for the provider, increased customer satisfaction, and more opportunities for cross-sell of other products and services, this approach aids the evolution and transition of IT service and support in several ways that highlight the new service and support paradigm:

- Remote support tools operate not only at the individual device level, but also holistically: beyond individual servers or PCs, they can monitor automatically and “intelligently” – i.e., making the appropriate event correlations – the entire IT infrastructure or data centers of the customer.
- To provide holistic IT systems monitoring and management, these tools rely on a variety of device aggregation approaches. Those may range from dedicated appliances onsite, to virtual appliances, or to cloud computing – thus opening up various business hosting services and options.

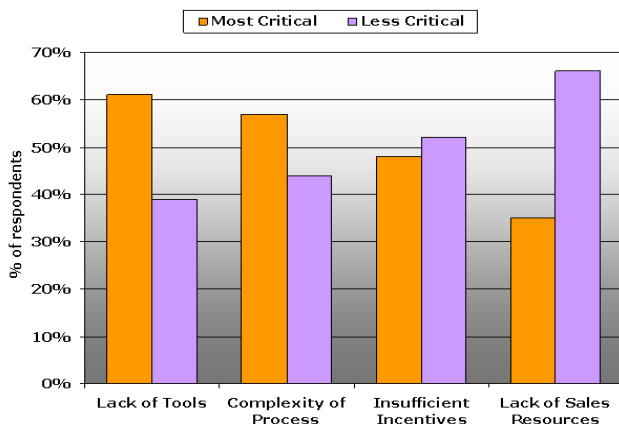
- Beyond device-specific base warranties, remote support tools form the backbone of most post- or supra-warranty system-wide service contracts.

Another important value-add, which drives to the core of service and support evolution, is the embracing of Customer Relationship Management (CRM). Capturing details about customer – or constituent – requirements, their unique business problems, and their expectations in terms of technologies and services used in their processes, is a core part of a successfully run business or organization – or of a well-managed sales cycle. Service and support organizations are increasingly recognizing that using CRM on their own or – better still – integrating their operations to corporate-wide CRM tools is crucial to their future success.

Consequently, CRM in recent years has come to account for 26% of all service and support technology spending in North America⁴; this is second only to contact center tools (36%), and ahead of e-service (22%) and field service tools (16%). As a matter of fact, when it comes to expenditures by SMBs, CRM trumps all three other functional segments and accounts for 35% of SMB spending on service and support technologies.

The thirst for marketing and other tools to be used for service and support has grown so much in recent years that a 2008 survey⁵ of 88 channel partners, solution providers and direct market resellers focused on IT hardware, software and services squarely ranked lack of tools as the most important obstacle inhibiting higher attach and renewal rates for service contracts by their customers, as shown in the graph that follows⁵:

Rank obstacles that inhibit higher attach and renewal rates



The Outlook for IT Service & Support

All three trends examined here underlie the gradual broadening of IT service and support, so that it can eventually encompass – and fuse with – all other business processes of customer organizations. This has the potential to transform the roles of corporate IT departments (in some cases make them obsolete). It also presents some great opportunities for IT vendors and service providers to participate in the delivery and support of a broad range of business processes for their customers.

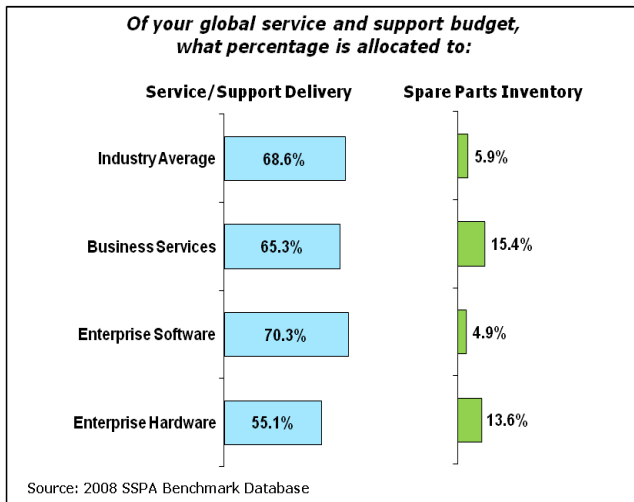
Processes already being automated on a large scale, such as supply chain management, enterprise resource planning and customer contact management, are also increasingly integrated with even modest remote monitoring/support systems, knowledge databases, and other IT service and support tools. Further integration between the above two sides of the IT coin is an essential driver of continued efficiency gains across enterprises, for two reasons:

- It can accelerate the pervasive adoption of enterprise applications, especially among SMBs
- It can substantially streamline issue resolution within enterprises of all sizes

Consequently, sustainable growth and success of enterprise application vendors relies on the wholehearted embrace and integration of their applications with IT service and support systems. Applications with a reputation for difficult integration hand-offs, like SAP, are increasingly at a disadvantage relative to their competitors for that reason. By contrast, Microsoft and Oracle (which also includes Sun's tools) are more cognizant and acting upon the integration imperative for their applications.

HR-related, accounting and other processes that tend to be automated in smaller steps can also be included into the knowledge bases, self-help mechanisms and monitoring systems of service & support. Even though subject matters between those areas and service & support are conceptually different, the ubiquity and breadth of service & support methodologies make them natural latch-on points for the more efficient handling of issues and requests associated with those other business processes.

As a result, the face of service and support keeps changing, as the areas it incorporates become less homogeneous. By its nature, this is a subtle and nuanced trend, not an explosive development: the redeployment of business processes so as to take advantage from service and support approaches and tools can only happen cautiously and gradually. However, the results of the trend are becoming more and more pronounced, and are likely to make themselves deeply felt during the new decade (2010-2019). What is already clear is that service and support has moved way beyond the traditional view – still espoused by many – of it consisting of reactive calls leading to onsite visits to deliver spare parts or rebuild systems. This evolution is clearly shown on the following Figure³, which shows the relative percentages budgeted by service and support decision makers in 2008 to service/support delivery vs. spare parts inventory:



The implications of this trend to IT OEMs and ISVs are quite profound, not only for their largest enterprise customers, addressed by custom-designed services like those offered by IBM Global Services, EDS (now part of HP), or Perot Systems (now part of Dell), but especially in the SMB space. In essence, delivery of IT service and support has to be redesigned, starting with base warranty, so that all aspects of it can be easily integrated with servicing non-IT (yet automated) business processes of customers, as the opportunity to do so gets recognized. Flexibility in the design and management of resultant broader types of service contracts determines future success; tapping of cross-functional talent that can

address such integrated needs (e.g., design the appropriate knowledge databases, optimally redesign non-IT business processes from a service & support integration perspective, etc.) becomes critical. However, IT players – vendors and their channel partners – who adapt well to this evolving landscape will enjoy the resultant wide and sustainable benefits.

References

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<http://www.destinationcrm.com/Articles/Columns-Departments/Insight/North-American-Tech-Companies-Engineer-Bolstered-Service-and-Support-Spend-42096.aspx>
- 5 “2008 Channel Survey: Partners Want Choice, Simplicity and Tools to Enable Them to Secure More Service Contract Revenue” by Encover
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