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About time: A guide to optimizing utilization

When staffing is tight and time = money, utilization matters

With hiring challenges across nearly every industry, it's never been more important to ensure you're deploying resources efficiently and capturing the true cost of your services. Time is non-renewable, finite, and extremely difficult to manage effectively. However, how you utilize time has a huge impact on your profitability.

Time management is especially important when it comes to your technicians, whether they are billable resources or not. The sad truth is that most organizations have a hard time tracking and improving technician utilization. Many providers don't even know how many billable hours are required before investment in a technical resource reaches a break-even point. This eGuide has been written to help you:

▸ **Understand and improve technician utilization rates**
▸ **Increase efficiencies through time tracking automation**
▸ **Dramatically improve profitability and your bottom line**

The guide is filled with eye-opening techniques and strategies garnered from more than 30 years of direct experience working with technology providers to better automate and improve their business processes and overall time-tracking capabilities. Time is money, and you're about to learn how to get a bunch of it back.

Whether you charge or don't charge for technical services, this guide is for you. By the end, you'll see that charging for billable hours can be very lucrative indeed.

Savings and revenue generation

Before we go any further, let's explore why you're going to invest your time exploring this guide. That depends on how you utilize your techs:

▸ **Billable resources:** If you're charging for professional services, exclusively or in certain situations, it's critical that you understand how tracking and improving utilization rates affect revenue and profit potentials.

▸ **Included with your services:** If your service technicians are a value-added part of your recurring agreements, time is money. Understanding utilization rates and improving upon them can have a dramatic effect on profitability.

Improving your bottom line

How much of a difference can improving utilization rates make to the health of your bottom line? It can be huge. Let's work through an example to help illustrate just how much money you could be making and/or saving after you improve utilization rates. This example is based on billable resources, so if you don't provide billable services, it's still useful to understand the revenue numbers. You may not charge for these separately, but the numbers can still be used to build profitable recurring contracts. We're going to keep the numbers very conservative.

Let's say you have 12 technicians: Two senior and 10 junior.

After a review, you determine the following utilization rates and revenues being generated by the team:

Resource	Rate/hour	Available hours/week	Billed hours/week	Utilization rate %	Revenue/week
Senior tech	$200	40	17	42.5	$3,400.00
Senior tech	$200	40	17	42.5	$3,400.00
Junior tech	$95	40	20	50	$1,900.00
Junior tech	$95	40	20	50	$1,900.00
Junior tech	$95	40	20	50	$1,900.00
Junior tech	$95	40	20	50	$1,900.00
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Junior tech	$95	40	20	50	$1,900.00
Junior tech	$95	40	20	50	$1,900.00

Total revenue/week **$25,800.00**

Total revenue/year **$1,341,600.00**

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After implementing the suggestions in this eGuide, you set benchmarks to improve senior technician utilization rates from 42.5% to 60% and your junior technicians from 50% to 75%.

Achievable targets with incredible financial repercussions:

Resource	Rate/hour	Available hours/week	Billed hours/week	Utilization rate %	Revenue/week
Senior tech	$200	40	24	60	$4,800.00
Senior tech	$200	40	24	60	$4,800.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00
Junior tech	$95	40	30	75	$2,850.00

Total revenue/week	**$38,100.00**
Total revenue/year	**$1,981,200.00**
Improvement/year	**$639,600.00**

In this example, **improvements to utilization rates lead to an additional $639,600 in additional revenue** without having to hire more technicians. What could you do with 639,600 extra dollars? How much stronger would your business be? What new areas of growth could you explore with your improved financial position? Let your imagination run wild. Do you think that the numbers should be different based on your own business experience?

Get our free utilization rate calculator

It includes additional fields to help you calculate breakeven and profitability, too!

GET CALCULATOR

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What about non-billable technicians?

If you are billing exclusively through a recurring model, utilization is equally important. The main difference is that your technicians are entirely a cost. This will require slightly different thinking to understand how utilization affects contract profitability.

▸ Cost per technician/month

According to Auvik, in a study of more than 85 MSPs, the following number of users per technician was noted:

▸ The median average was 123 users per technician

▸ The mode average was 150 users per technician

▸ The mean average was 161 users per technician

This is a good benchmark to help us understand utilization rates and the cost of technicians to contract profitability. So, with this and cost numbers generated in the downloadable utilization calculator from Tigerpaw, the following demonstrates utilization improvements and tech cost per user every month:

▸ Junior technician cost is $4,800/month

▸ Median average of 123 users/technician

▸ Cost/user/month is $39

▸ Assume based on 60% utilization rate

Now let's increase utilization by 15%:

▸ Junior technician cost is $4,800/month

▸ Mean average is 141 users/technician

▸ Cost/user/month is $34

▸ Assume utilizaiton rate improved by 15% to 75%

▸ Savings of $5/user/month

It doesn't seem like a lot, but do the math across ALL the users you have under contract. So if you support 5,000 users, that will save you $300,000 every single year. That's a pretty good contribution to the health of your bottom line.

What are utilization rates anyway?

Whether you're charging for professional services or simply trying to improve overall contract profitability, understanding what utilization rates are and how to calculate them is critical to the health and growth potential of your business.

What is a utilization rate, and how can it be calculated? Put simply, a utilization rate is expressed as a percentage of billable hours or hours that can be charged against a contract, measured against total available hours. The formula is actually quite simple:

$$\text{Utilization rate} = \frac{\text{billable (chargeable) hours}}{\text{available hours}}$$

So if you have a technician with 40 available hours a week and they deliver 30 billable hours for the week, that technician has a 75% utilization rate. Simple, right? Not so fast. Many factors can affect utilization rates, and care must be taken to ensure they don't skew your measurements or your expectations. Some examples:

Sick leave and vacation

Whether it's due to illness, vacation, or unexpected life events, it's guaranteed there are days you won't be 100% staffed. In fact, the Society for Human Resources Management (SHRM) reports companies have increased employees' paid time off allotments and added flexibility to its use due to the changing employment climate. Organizations should take sick leave and vacation time into account when working on utilization rate adjustments to reflect actual productivity. So, for example, if an employee was sick for two days, you would subtract 16 hours from their total billable pool for that period.

The average annual vacation per employee is

17 days

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Non-billable projects and tasks

Never will a resource be 100% billable. There will be times when an organization pulls a billable resource away from their regular duties for internal projects that are non-billable. Sometimes techs don't have a part in their van and have to return to the office. They spend time on internal emails and attend team meetings. Just like sick days or vacation time, this non-billable time should be subtracted from the regular quota of billable hours to keep utilization rates meaningful. As we'll see later in this guide, you may want to consider assigning a subset of your team to managing daily tasks in order to dramatically improve the number of billable hours for the rest of the team.

Relying on the honor method for time accounting

Humans are, well, human! As such, they aren't always as detail-oriented as they should be. They don't always account for time in a consistent and reliable fashion, and sometimes guesswork, even accidentally, can skew actual utilization levels. A study on forgetfulness in corporate training illustrates that 75% of things that go into our heads are lost by the end of the day. So the sooner items are tracked for time management, the better, to ensure we don't lose the true picture. Most providers ensure that time is tracked daily, and this should be a bare minimum standard.

Keeping these things in mind will be important as you develop your utilization framework. If you're taking the time and putting in the effort to do a better job of improving utilization levels, you want to make sure they adjust for real life.

75%
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What's a good utilization rate?

Now that you have a basic understanding of what a utilization rate is and how to measure it, the harder question becomes: "What's a good utilization rate?"

According to ThinkHDI, the average utilization rate for a desktop support technician is 57%, with a maximum utilization rate of nearly 89%. Shocking as it may seem, the minimum reported utilization rates were 26%! These numbers will vary depending on the type of technical services offered, but from our experience over the last 30 years, it's a good baseline to work from.

Another important consideration when developing target utilization rates for your technicians is their level of seniority and experience:

Senior technicians

You'll likely have fewer of these on your payroll. Some dealers will have only two senior technicians for every 10 to 12 junior technicians. **Their utilization rate targets should be lower, around 55% to 65%**, as their projects tend to be more complex and require many more hours of non-billable time to architect.

Junior technician

You'll have many more of these, and as most of their tasks are more routine, their **utilization rate tends to be much higher, in the area of 65% to 75%.** Although they generate less revenue per asset than a senior technician, they tend to be much more profitable if utilized effectively.

Average utilization rates

Desktop support technician	**57% - 87%**
Senior technician	**55% - 65%**
Junior technician	**65% - 75%**

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Considerations

Having good ideas is one thing; realizing them is an entirely different animal and is where most organizations fail. Now that you're ready to begin improving technician utilization rates, here are some fundamental considerations to help ensure success:

Assess your current utilization rates

This will require some work and diligence, but if you don't know where you're starting from, any goals and targets will be meaningless. If your technicians aren't currently accounting for billable and non-billable time, make sure you **gather at least 30 days of data** to ensure you get a realistic average over time. Ask for daily submissions so that they don't fall out of the habit of recording their time. The last thing you want is somebody scrambling at the end of the week to submit their time-tracking reports, as the likelihood for errors and skewed results is too great, as illustrated earlier in this guide.

Establish realistic utilization targets

If your current technician utilization rate is 45%, setting a 90% target will be difficult and likely unachievable. Consider moderate increases to start, say 10% to 20% for the first quarter. You can reassess after the first quarter to see if additional improvements can be made in a manageable way, or determine if your original targets aren't being met. Take special care to share the math and logic of the new targets so your people can more comfortably buy in to what is proposed. People are much more likely to be on board with a new initiative if they feel their input is being heard and they feel like they've been involved from the start.

Include plans for efficient route planning

Travel time and efficiency can have a dramatic effect on utilization rates. As you look at growing your pool of billable hours, make sure to group customers that are closer together with the same technician. Good time-tracking software will make this easier,

as the dispatcher can determine the best routes for technicians based on a grid that shows all of them in a centralized view.

Help manage customer expectations

If your service technician is doing a great job, they should have a strong working relationship with your customers. This is what you want but can often lead to customers asking for favors and technicians who oblige, free of charge. Make sure your people work with your customers to understand that if there are extra things done outside of the contract, they'll be required to pay for them. Ensuring your technicians and other customer-facing staff manage this expectation can even lead to higher revenue contract change orders.

Consider dedicating a role for non-billable tasks and duties

It might sound counter-intuitive to remove billable resources and put them into planning roles, but it can have a dramatic effect in all the right ways. In an article by FacilitiesNet, it was found that utilization rates could be doubled by moving two out of 22 technicians into planning roles. This change led to a dramatic increase in overall billable revenue simply by removing day-to-day unbillable tasks from billable resources' responsibilities.

2x rates

You could double utilization rates by moving 2 out of 22 technicians into planning roles.

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Initial measurements and ongoing tracking

A good carpenter always measures twice and cuts once. Accurate time tracking is like that. More measurement up front, fewer mistakes down the road. Just like the carpenter, mistakes in time-tracking will cost you. Once the measurements are done, we need to understand what they mean. Standardized reporting can help a lot with this. Nothing improves measurement and produces rich reporting like using automation tools.

Remember that stat presented early on about 75% of memory loss by the end of the day? Manually capturing and tracking hours is better than doing nothing at all, but not much, even if done daily. That requires good software. Already using a platform that isn't capable of time-tracking automation? Then you need BETTER time tracking software! There are some important considerations when you're looking at good time management software:

Focus on ease of use

One thing we all know is that if software tools aren't intuitive and easy to use, they simply won't get used! In one study, 97% of respondents said that usability was the most important consideration when adopting software, especially when it's for mobile use. Usability should be a primary consideration when looking at a new time-tracking automation application.

Provide field technicians with a real-time tracking app

In a report from Business of Apps, in 2020, there were 142.9 billion app downloads. The reason we present this fact is because NOT having a mobile app for your field technicians shouldn't even be an option anymore. Apps are mainstream and very useful, especially when money is on the line. The app should allow your technicians to capture billable hours in real time. If your time-tracking platform doesn't come with an app for techs to use while in the field, you make it far too easy to lose valuable hours. The app should link to your main time-tracking system and not require manual syncing.

> **If your time-tracking platform doesn't come with an app for techs to use while in the field, you could be losing valuable hours.**

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Ensure automation for as many tasks and tracking triggers as possible

A good time-tracking software will automatically trigger reminders or tracking based on predictable behavior. As a managed technology provider, you should have standardized approaches to common customer problems, and your software should be able to work in sync with those.

Demand integration with your main business automation platform

The more disparate your systems, the higher the likelihood of error. You'll also be spending a bunch of that hard-earned time you're trying to get back on mundane and unnecessary administrative duties. Tigerpaw's time-tracking modules integrate seamlessly with all modules in our business automation platform. Any solution you look at should do the same.

Offer great training resources

Unlike software integrations, human/software interactions are a lot of work! You need to make sure that you and your software provider have really good training resources that are used regularly and consistently. You're going to be asking people to do things in new ways, and more than 94% of employees report that they stay with companies longer when investment in learning is a priority. The reason? Because learning new things on your own is stressful and can feel daunting at the best of times. Make learning the use of new toolsets as methodical and supportive as you can.

If you pay close attention to the points above, you'll be well on your way to minimizing bench time and doing more to ensure you're capturing and billing for as many hours as possible.

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Reporting Essentials

Once you've put together a plan and feel confident that you're doing all you can to capture and bill for as many hours as possible, it's important to make sure you can easily track progress and ensure adherence. Now that you've implemented a good utilization strategy, it's time to focus on good reporting. Is your reporting capability strong enough to help you track progress and to let you know quickly should things go wrong? Here are some considerations:

You can't manage what you can't measure

You know that good reporting is important for your financials come tax time, and the same holds true for managing and improving technicians' utilization rates. Humans are the most expensive and time-dependent resources you have, so make sure you start measuring billable and non-billable hours early on in the process. There's a report for that!

Go real-time

If I were to ask what is your average utilization per junior service technician, how long would it take you to get me an answer? Two days? Four hours? Five minutes? Ensure you have a tool that allows you to get the facts in real-time so you can catch problems before they start costing you money.

Empower your employees

Give a person a fish and they'll eat for a day… teach them to fish and, well, you know the rest! Make sure you review and explain the utilization results. With the right tools, you can even allow them to view and assess their targets whenever they choose. The more easily digestible the reports are, the more likely your techs are to improve their overall performance when viewing them.

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Conduct regular utilization assessment sessions

Everybody loves a little ownership, and owning targets and understanding how well they're achieving them is powerful. Be sure to schedule regular utilization sessions with your technicians to keep them on track and to help them overcome obstacles that might be restricting their ability to produce more billable hours. Some key questions to review at each session:

▶ **Training:** Are they dipping into billable time because of new skills development or learning? There's nothing wrong with this; training is absolutely essential. Just make sure it's taken into account.

▶ **Undocumented change orders:** If a project scope or contract has changed, has it been documented and have the billable hours allotted been adjusted? When people really start to account for their time, they are often surprised at how many "freebies" they have been giving away over time.

▶ **Sales/New business development:** Are your technicians dipping into their billable hours to go after new business? Are they performing business development tasks that should be the responsibility of somebody else on the team? Everybody likes to feel needed and helpful, but if they aren't responsible for selling, the visibility of these activities can be good for getting them back on track.

If a junior technician being utilized at a rate of 80% has only 10 hours per week for training, selling, and doing change orders, that time can disappear in a hurry, and tracking hours lost for billable activity is critical. Using standardized reports generated by your time-tracking software will ensure everybody is on the same page and will give more hours back for billable activity.

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Explore time-tracking reporting and other Tigerpaw One features

Tigerpaw's all-in-one platform, built specifically for technology service providers, combines time-tracking, inventory management, reporting, ticketing, CRM, billing, and more. Get real-time, accurate data at any given time and location across all departments. We'll help you experience not just higher technician utilization rates but also improved project standards, stronger revenues, and lower costs for service delivery and a much better customer experience.

Boost technician utilization

Capture accurate time and expenses for every type of service activity with our easy-to-use mobile app.

Track serialized customer assets

Easily manage your remote monitoring, HaaS, SaaS, content filtering, remote offsite backup and warranty agreements.

Improve customer service

Let your customers access their accounts 24/7, open service tickets, track the status of an existing ticket, sign quotes and more.

Gain real-time inventory insights

Track stock levels, order quantities, preferred vendors and cost options.

Decrease billing time by up to 90%

Automated invoicing means no more sending invoices manually.

Eliminate double-entry of accounting data

Integrate with QuickBooks, Sage 50 and other accounting systems to let them do what they do best — accounting — and not what they do average: inventory.

Reduce time to collection from 75 days to 0 days

Accept automated or one-time payments by processing credit card or ACH transactions, as well as accept payments through an online customer portal.

LET'S TALK

Contact us today at 800-704-9009 to set up a FREE DEMO of Tigerpaw, or visit tigerpaw.com.

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