4 Ways to Avoid the Pitfalls of Over-Servicing

Increase your agency’s profit margins with accurate scoping, resourcing and job delivery
Over-Servicing is a Very Real Issue for Agencies

While 75% of agency time is spent on client work... only 70% is actually billed to clients. With smaller agencies more likely to write off time than their larger competitors. *Deltek Clarity Agency Report

SURVEY CONDUCTED BY RESEARCH FIRM QUESTION & RETAIN FOUND:

26% of respondents are resigned to accepting over-servicing as ‘part of what you have to do to manage profit and loss’ AND...

31% of respondents agree that over-servicing suggests that their business model is not working correctly
The Real Cost of Over-Servicing

In other words, agencies fail to collect an average of 7% of billable time. The negative impact of the 7% is significant: Failure to collect, say £3M in revenue at a margin of 10% sacrifices not only the revenue, but also the £300,000 profit – especially since the work came at cost and the hours have already been spent, meaning they cannot be worked again for any other job.

**THE PITFALLS OF OVER-COMPENSATION**

As a business whose value is judged on the quality of service you deliver, it is all too easy for agencies to always want to go the extra mile for clients, both happy and unhappy. To address clients whose expectations haven’t been fulfilled, many end up over-compensating to get back on track. This leads to a number of pitfalls:

- Clients may begin to expect an increasing amount of work to be done and this consumes too many of your resources – for free.
- Project scope becomes difficult to manage and milestones can be missed.
- Staff may also feel over worked, stressed and demotivated.
4 Ways to Avoid Over-Servicing

Acutely aware of the pitfalls and real risks for over-servicing, we recommend at least 4 ways to avoid it.

ENTER ALL JOBS WITH A CLEAR SCOPE & SERVICE LEVEL AGREEMENT (SLA): Matching project scope with a realistic estimate should be a priority for all agencies to prevent over-servicing.

REVIEW YOUR BUSINESS MODEL: Take a hard look at your business model to discover any issues that are leading to over-servicing and the poor usage of human time and financial resources.

ACHIEVE A SERVICING BALANCE: Remember that under-servicing clients is as much a sin as over-servicing them.

TRACK KPIs WHICH CAN IMPACT YOUR PROFIT: Use the most appropriate and objective metrics and measure the right key performance indicators (KPIs).
1. Enter All Jobs With A Clear Scope and SLA

*Know what you are setting out to achieve.* Make sure you link up the planning, quoting and delivery milestones of each and every project you undertake. A clear scope of work that you agree with your client along with an approved estimate should provide the baseline for every project. You should be comparing your actuals against estimate throughout the entire life of the project to keep your profitability on track and identify any over-servicing red flags.

*Be realistic.* Often a proportion of under or over-servicing is done consciously. You may quote the client a number of hours but realistically the project will take a little longer due to internal factors. Establish at the outset an internal working estimate that is realistic to what your team will actually do to complete a project, and firmly sets your project profitability target. A fully integrated agency management system will ensure that estimates and actuals are stored in one central location and enable you to analyse the actual work undertaken for particular clients compared to what was planned.
2. Review Your Business Model

Stop selling yourself short. Managing an agency means continually seeking ways to increase revenue and improve profitability, and pricing strategies must be designed to support these goals. However, many agencies are not re-evaluating their pricing strategies on a regular basis to ensure it reflects the business’ goals for growth. This often means the value of the work completed can be under-valued and over-delivered.

Start keeping track. Your agency management system should allow you to accurately, plan, price and manage the delivery of all client jobs and is crucial to keep your profitability on track. Without a clear, real-time view of your people, projects and processes how will you ever know where the cracks in your business model are?
3. Achieve a Servicing Balance

It can be a catch-22. Remember that under-servicing clients is as much a sin as over-servicing them. The ultimate goal is to deliver all jobs on time, on budget, and to the delight of your clients. This is reliant on an accurate project plan and visibility into your available resource to complete the work, their capacity and their skills.

Use the right tools to help. Make sure your agency management system is tailored for your business model so you can strike a balance between offering a high level of service and support to your clients without over-using finite resources – including billable time.
4. Track KPIs Which Can Impact Your Profit

*Track people profitability, not just client.* While it is important to know which of your clients are turning a profit and which are not, this should not be looked at in isolation. Identifying the problem accounts and re-adjusting your scope or delivery team to bring the projects back on track should not be the end goal. All you may have done is create a bank of unused capacity! When bringing capacity back onto the bench you then need to convert them into billable hours.

*Manage with confidence.* Maintain a 360-degree view of your operations and KPIs with an agency management system that has the ability to focus on people and project-performance based metrics. Deploying an integrated agency management system that manages everything from job creation and staff resourcing to financial management and revenue forecasting is crucial.
It’s Time to Take Control and Stop Over-Servicing

Within agencies and other professionals services firms the assumption tends to be that over-servicing is a given to keep projects on track and clients happy, and for big contracts, the impact on the margin is minimal. In reality, however, clients of all sizes can often be over-serviced to such an extent that your margin becomes greatly reduced.

Now is time to take control of the great black hole caused by over-servicing. Deploy the systems, processes and metrics that can bring your job profitability back on track.
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