Measuring the performance of a service level agreement (SLA) is crucial to assess the effectiveness of the customer-service provider partnership. A well-established SLA provides the basis for this assessment, but it is important to have a method for evaluating their performance.

As technology becomes more advanced and more important to day-to-day business operations, ensuring a high level of customer service and customer satisfaction can become a challenge. To address this, companies must include service level agreements in their contracts to clearly define expectations and responsibilities and coordinate all parties in their efforts to provide a satisfactory service.

In this article, we explain the importance of Service Level Agreements (SLA) and their benefits for service providers and customers alike. We'll also discuss the importance of regularly evaluating service level agreements and share some of the best SLA metrics.

What is a Service Level Agreement?

A service level agreement (SLA) is a contract between a service provider and a customer that specifies the service or level of service that the service provider undertakes to provide to the customer. The SLA is an important part of any service-based relationship as it sets clear expectations for both parties and provides a framework for managing the relationship.

SLAs typically include details such as:

- Scope of service: Precise description of the services to be provided, e.g. system availability, response times, troubleshooting times.
- Service level targets: Specific metrics and target values for performance, e.g. 99.9% availability, maximum response time of 1 hour.
- Responsibilities: Definition of the tasks and duties of the service provider and the customer, e.g. provision of information, escalation processes.
- Communication processes: Definition of communication channels, frequency and content of status reports.
- Problem management: Definition of procedures for reporting, prioritizing and resolving problems.
- Contract term and termination conditions: Regulations on the term of the SLA, termination periods and modalities.
- Credits and penalties: Definition of consequences in the event of non-compliance with service level targets, e.g. credits, price reductions, contractual penalties.

SLAs can also include details such as how service requests are handled, how issues are tracked and resolved, and how the relationship is reviewed and updated over time.

SLAs are used across all industries, for example in information technology (IT), telecommunications, web hosting and numerous other service-based sectors such as healthcare, transportation and public administration and authorities.

Why is it Important To Evaluate Service Level Agreements?

[Service Level Agreements (SLAs)](#) are an important part of any service-based relationship as they set clear expectations for both parties and provide a framework for managing the relationship. However, for SLAs to be effective, it is important to regularly evaluate them to ensure that they still meet the needs of both parties.

The following are a few reasons why it is important to evaluate SLAs and what benefits can result from this.

- **Ensuring service quality**: One of the main reasons for evaluating SLAs is to ensure that service quality meets agreed standards. The regular monitoring and evaluation of SLAs enables both parties to quickly identify and resolve any issues and ensure that service level goals are met.
- **Identify and fix gaps**: As business requirements change, it is important to identify any gaps in the service level agreement and address them accordingly. Through regular evaluation of SLAs Can both parties ensure that the agreement still meets current requirements corresponds to the company, and make changes if necessary.
- **Cost savings**: In many cases, SLAs include penalties or credits that apply in the event of a service outage or other issues. A regular assessment of SLAs can help to identify areas where the service provider incurs costs and to reduce them, which can result in cost savings for both parties.
- **Compliance and regulation**: Compliance with SLAs and regulations evolves over time, and it is important for a company to comply with them. A regular assessment helps to meet the requirements for compliance with SLAs and to comply with regulations.
- **Maintaining business continuity**: The regular assessment of SLAs is critical to maintaining business continuity. An SLA that is not regularly monitored and assessed can lead to service outages and interruptions to Business operations lead, which can be costly and harmful to the customer.

The 8 Best Metrics For Service Level Agreements

Service Level Agreement (SLA) metrics are used to measure a service provider's performance against agreed service level goals. These metrics are an essential part of SLAs as they offer both parties a way to objectively measure the quality of service and identify areas for improvement.

The actual number of SLA metrics you want to track depends on the service provided and your organization's specific needs.

1. Operating time

Uptime is a measure of the percentage of time a service is available and functioning correctly. It is one of the most important SLA indicators as it has a direct impact on the availability of the service for the customer. The goal of high uptime is the reliability of service for the customer. Uptime is usually calculated based on the total number of hours in a given period minus the time the service was unavailable.

2. Response time

Response time measures exactly what the name suggests: the time it takes a service provider to respond to a customer request or problem. It is an important metric to ensure that problems are resolved quickly and efficiently, and therefore has a major impact on the user experience. In general, a slow response time can result in lost productivity and revenue and damage a company's reputation.

Monitoring response times allows service providers and customers to identify and fix performance issues before they become a major issue. It also helps ensure that the service meets the agreed levels of performance and that the customer receives the expected level of performance.

3. Availability

Availability as a measure of service level agreements (SLA) is a measure of the functionality and reliability of a system or service. It is one of the key indicators that companies use to assess the levels of performance and availability promised by their service providers.

To accurately calculate availability, factors such as planned maintenance times, hardware failures, software failures, network failures, human errors, natural disasters, and other unforeseen circumstances that may affect accessibility must be considered. By carefully tracking these events over time within specific parameters agreed in SLAs, companies can hold their service providers accountable for meeting defined goals.

A common way for companies to express availability metrics in SLAs is to provide percentages. For example:

- 99% availability means there can be around 3 days of downtime per year.
- 99.9% availability guarantees that there are only around 8 hours and 45 minutes per year in which access may be affected
- An availability of over 99.999% means exceptional performance with almost negligible disruptions.

4. Throughput

Throughput is a measure of the amount of data that can be processed by a service in a specific period of time. It is important for services that process large amounts of data, such as data centers or cloud-based services. Throughput can be measured in various units, such as requests per second, transactions per second, or data transfer rates.

This metric is particularly important for services that are expected to receive high levels of traffic, such as e-commerce websites, social media platforms, and other types of web-based services.

5. Error rate

Failure rates indicate the percentage of errors that occur when using a service. It's important to ensure that the service is reliable and that issues are identified and resolved quickly, and that's where error rates come in: If a service receives 1000 requests and 20 of them result in an error, the corresponding error rate is 2%.

High error rates may indicate that a service has issues such as bugs, capacity bottlenecks, or other types of issues. By monitoring the failure rate, you can identify problems early on and take action to fix them before they become critical.

6. Latency period

Latency metrics measure the time it takes a service to process a request. Latency plays an important role for real-time services such as streaming services or online games. The aim here is to keep latency at a low level, which is quite difficult to achieve and maintain due to the various factors (such as network conditions, server performance, security protocols, complexity of requirements) that can influence it.

7. Capacity

Capacity is a measure of the resources available to a service, such as storage space or bandwidth. It is important to ensure that the service can handle the load and is not overloaded.

When a service or system is running out of capacity, this can lead to issues such as slow response times, errors, and even complete unavailability. Tracking and monitoring capacity helps service providers and customers identify and fix potential capacity issues before they become a bigger issue.

Depending on the type of service or system, there are various ways to measure capacity as an SLA figure. For example, a web server can measure capacity based on the number of concurrent connections that it can process. With a database, capacity can be measured by the number of queries per second that it can process.

8. Safety

Although security itself is a rather vague issue and is generally not considered a standalone SLA metric, there may be some relevant factors that need to be monitored, particularly for services that handle sensitive data, such as PCI compliance, penetration testing, encryption measures, access controls, and vulnerability management.