

## **ATTRITION MEASUREMENT CONTINUING TO DEVELOP MEANINGFUL TRENDS IN THE MIDST OF ECONOMIC UPHEAVAL**

*Overview of 2008 Results  
Eight Straight Years of Results*

TRG Associates, in conjunction with the Central Station Alarm Association (CSAA), continues to accumulate annual Attrition results from a growing number of small on up to large national security companies. The 2008 Report publishes the results for the eighth straight year of this Study and includes results for over \$123.0 million of Recurring Monthly Revenue (RMR) from companies across the United States, Canada and Europe. The consistency of the companies reporting continues to enhance our insight into the Attrition trends within the Security Industry. The Study seeks to provide a measurement of the Attrition results across the marketplace as to the level of Customer RMR losses (Gross Attrition) and the offsets to those losses through resigns of like customers/locations and other increases in the RMR related to the same base of customers (Net Attrition).

In the midst of one of the most difficult economic times in 70 years, the decreasing trend in Gross Attrition over the last three years thru 2007 was reversed in 2008. With the onset of an unprecedented economic downturn that engulfed the US and World markets in the third quarter of 2008, the participants in our Report still only experienced a 1% increase in Gross Attrition and Net Attrition for Residential customers. The Average Residential/Commercial Gross Attrition figure increased to 11.29% from 10.83% in 2007 while the Average Net Attrition figure increased from 8.15% to 8.59%.

The “controlled” increase in Attrition during a dramatic economic upheaval for security customers speaks to the strengths of the Security Industry and the value proposition of the services rendered to those customers. For the companies that had participated in our study in 2007, almost all of those companies still achieved positive net customer RMR growth from 2007 to 2008.

The Dollars of RMR are broken down by Geographic Region, Size of Company, Customer Source and Customer type. The number of participating companies continues to grow even though we lost some International participation due to acquisitions. On a national scale, the results continue to be broken down by respective Branches in a number of cases as to geography, size, etc. which helps to identify the actual results of varied branch sizes in different geographies within larger organizations.

All of the US regions grew substantially as to actual dollars of RMR reported. The growth in the RMR was from both residential and commercial customers and emanated, predominately, from the traditional and dealer customer sources as we added a number of companies to the study that have in excess of \$500,000 in RMR. In each US region we experienced an increase in the Net Attrition figures which is not surprising as to the direction but is somewhat startling as to how small the increase was given the economic circumstances our economy endured.

The smaller companies (3-50 RMR) experienced an increase in the Gross and Net attrition for the second year in a row. At the other end of the spectrum, the larger companies experienced an increase in Net Attrition from 8.18% in 2007 up to 8.71% for this 2008 Study. The mid-market companies (51-100 of RMR) saw a dramatic increase in Net Attrition, while the 101 – 200 RMR companies were the only segment to experience a decrease in Gross and Net Attrition versus the 2007 results.

The Dealer sourced segment experienced another increase in Gross and Net Attrition for the third year in a row, while Traditional and Mass Market inched up slightly for both Gross and Net attrition. The Commercial customers experienced a small increase in Gross Attrition while continuing to manage the resign gap and inch down in Net Attrition. The Residential customers experienced the largest increase in both Gross and Net attrition which, again, is not surprising as to the direction but would not have surprised anyone if it had been significantly higher given the market circumstances. The increase can be seen within the Reasons for Attrition as Collection-Non Payment grew to 14.7%.

The increase in Lost to Competition (up to 16.6%) is the most telling indicator of security's perceived and real value to customers. While the economy caused customers to shop their protection, they chose not to be without it as the category for No Longer Using the System saw a smaller increase than might have been expected. We have already seen a number of companies in 2009 be more proactive to reduce their RMR per customer to save a customer in these difficult economic times as the average household income gets redistributed to energy and food costs. We are also seeing more creative "price reductions" coupled with an extension of the contract term as companies work to maintain their residential and commercial customer bases in the midst of a "troubled economy".

This Study will be updated again at the end of 2009 with the assistance of the existing participants and any new companies that would like to join the Study. Participation in the Study is free and we maintain the strictest of confidentiality as to the individual company results. We wish to thank all of the participants that took the time to report their 2008 results.

Please do not hesitate to call John Brady at TRG Associates ([www.trgassociates.com](http://www.trgassociates.com)) or Celia Besore at CSAA ([www.csaaul.org](http://www.csaaul.org)) for information on how to participate in this Study for 2009. The 2008 Presentation will be made available on the TRG and CSAA web sites within the month.