

Attrition Measurement Update Year End 2007: Continuing to Develop Meaningful Trends

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Defining Attrition

Gross Attrition

- The loss of existing customers and their associated recurring revenue for contracted services during a particular customer / calendar cycle

Net Attrition

- Gross Attrition plus the add back of “like customer” gains thru resigns of the existing locations –
 - The Home/Business location is your ultimate customer
 - Price increases for inflation
 - Price increases for additional services or technology

Defining Attrition

The Short Version

- The measurement of customer dissatisfaction with or need for the system

Why Measure?

- Attrition measures customer dissatisfaction which, for the most part, is company caused.
- The Attrition Tracking Process should be managed to identify, focus on, and rectify those causes within each organization.

Attrition Measurement Methodology

Weighted Ending RMR Attrition Method

Step 1: Cancelled RMR for the Reporting Period = Monthly Attrition
Sum of Ending RMR for Each Month

Step 2: Monthly Attrition (from Step 1)* 12 = Annualized Attrition

Pro's & Con's of Weighted Ending RMR Method

Pro's

Accounts for and weights RMR acquisitions

Accounts for timing of acquired RMR

Accounts for rapid internal growth

Accounts for timing of rapid internal growth

Similar to many lending/equity institution's preferred calculation.

Con's

Not the easiest of the calculations

Continuing to Refine the Database

- Existing Geography
 - NE/Mid Atlantic
 - Southeast
 - Midwest
 - Southwest
 - West
 - International



Annual Trend

Dollars of RMR

<u>Region</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Northeast	\$ 14,727,216	\$ 16,593,689	\$ 20,104,889
Southeast	\$ 10,139,904	\$ 10,924,380	\$ 15,859,705
Midwest	\$ 10,844,003	\$ 11,906,640	\$ 13,866,967
Southwest	\$ 3,871,021	\$ 4,025,962	\$ 5,545,528
West	\$ 8,640,439	\$ 9,243,889	\$ 24,353,124
International	<u>\$ 6,890,767</u>	<u>\$ 7,576,043</u>	<u>\$ 999,570</u>
Total	\$ 55,113,350	\$60,270,603	\$ 80,729,783

Annual Trend

Dollars of RMR

<u>Size</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
3-50	\$ 364,305	\$ 412,984	\$ 302,151
51-100	\$ 569,426	\$ 492,274	\$ 689,884
101-200	\$ 4,303,449	\$ 3,970,284	\$ 4,097,988
201-500	\$ 7,645,252	\$ 9,311,380	\$13,031,388
501+	<u>\$42,230,918</u>	<u>\$46,083,681</u>	<u>\$62,608,372</u>
Total	\$55,113,350	\$60,270,603	\$80,729,783

Annual Trend

Dollars of RMR

<u>Customer Source</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Dealer	\$13,174,816	\$13,796,698	\$11,901,416
Traditional	\$27,820,413	\$31,669,657	\$49,548,497
Mass Market	<u>\$14,118,121</u>	<u>\$14,804,248</u>	<u>\$19,279,871</u>
Total	\$55,113,350	\$60,270,603	\$80,729,783

Annual Trend

Dollars of RMR

<u>Customer Type</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential	\$ 30,379,116	\$ 31,947,955	\$42,026,724
Commercial	<u>\$ 24,734,234</u>	<u>\$ 28,322,648</u>	<u>\$38,703,059</u>
Total	\$ 55,113,350	\$60,270,603	\$80,729,783

Attrition Update through Year End 2007

Region	2005		2006		2007	
	Gross	Net	Gross	Net	Gross	Net
Northeast	10.02%	7.17%	10.32%	7.23%	9.41%	6.92%
Southeast	13.13%	10.14%	12.55%	9.07%	11.48%	8.29%
Midwest	11.51%	9.02%	11.79%	7.79%	11.47%	8.44%
Southwest	13.56%	10.21%	12.76%	9.16%	12.33%	9.13%
West	11.85%	7.87%	11.64%	8.26%	10.90%	8.63%
International	12.03%	8.35%	11.74%	8.07%	10.46%	9.05%

Attrition Update through Year End 2007

<u>Company Size</u>	2005		2006		2007	
	Gross	Net	Gross	Net	Gross	Net
3-50	11.60%	8.01%	10.36%	6.88%	11.67%	8.28%
51-100	10.86%	7.37%	14.79%	9.24%	9.64%	7.09%
101-200	13.88%	9.78%	12.09%	8.94%	11.35%	8.14%
201-500	12.04%	7.65%	12.15%	8.38%	11.22%	8.05%
501+	11.39%	8.57%	11.37%	7.92%	10.73%	8.18%

Attrition Update through Year End 2007

<u>Source</u>	2005		2006		2007	
	Gross	Net	Gross	Net	Gross	Net
Dealer	11.90%	7.77%	11.41%	8.09%	12.60%	9.09%
Traditional	11.44%	9.15%	11.62%	8.07%	10.42%	8.00%
Mass Market	11.92%	7.99%	11.57%	8.03%	10.82%	7.92%

Attrition Update through Year End 2007

<u>Customer Type</u>	2005		2006		2007	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Residential	11.67%	8.10%	11.54%	8.19%	10.90%	7.93%
Commercial	11.66%	9.05%	11.57%	7.93%	10.76%	8.38%

Reason Code Analysis

	2004	2005	2006	2007
Cancellation Reason	%	%	%	%
▪ Collection – Non-payment	23.2%	18.6%	13.3%	13.1%
▪ Moved within Market	16.0%	23.5%	17.0%	10.5%
▪ Moved Outside of Market	19.8%	27.1%	29.0%	28.6%
▪ Poor Service	2.9%	1.5%	2.0%	3.8%
▪ Lost to Competition	8.2%	5.6%	11.6%	12.3%
▪ No Longer Using System	11.9%	11.0%	11.3%	10.8%
▪ Sold/Out of Business	7.0%	3.4%	4.6%	4.8%
▪ Financial Difficulties	3.1%	2.7%	6.3%	7.0%
▪ Property Abandoned/Vacant	0.5%	0.1%	0.1%	1.2%
▪ End of Contract Term	4.8%	0.5%	1.4%	3.4%
▪ Deceased/Rest home	1.4%	0.6%	1.7%	1.5%
▪ Price Increase Rescinded	1.2%	4.0%	1.3%	3.0%
▪ Natural Disaster	----	1.4%	0.4%	0.1%

TRG Maintains Full Confidentiality Of Participants' Figures

- Summary results as presented will be available on
CSAA Web-Site
TRG Web-Site (www.trgassociates.com)
- Next update for 2008 – April 2009
Posted in June 2009