

Attrition Measurement Update Year End 2005: Developing 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	Con's
Accounts for and weights RMR acquisitions	Not the easiest of the calculations
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.	



Continuing to Refine the Database

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





Annual Trend

Dollars of RMR

<u>Region</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Northeast	\$ 10,047,066	\$ 12,151,496	\$ 14,727,216
Southeast	\$ 8,996,025	\$ 9,648,681	\$ 10,139,904
Midwest	\$ 5,047,765	\$ 10,059,625	\$ 10,844,003
Southwest	\$ 4,990,835	\$ 3,891,817	\$ 3,871,021
West	\$ 8,868,502	\$ 8,461,155	\$ 8,640,439
International	\$ 5,466,050	\$ 6,129,699	\$ 6,890,767
Total	\$43,416,242	\$50,342,473	\$ 55,113,350



Annual Trend

Dollars of RMR

Size	2003	2004	2005
3-50	\$ 125,226	\$ 387,221	\$ 364,305
51-100	\$ 191,311	\$ 454,023	\$ 569,426
101-200	\$ 1,526,572	\$ 4,325,962	\$ 4,303,449
201-500	\$ 3,069,699	\$ 7,555,904	\$ 7,645,252
501+	<u>\$38,503,435</u>	<u>\$37,619,363</u>	<u>\$42,230,918</u>
Total	\$43,416,242	\$50,342,473	\$55,113,350



Annual Trend

Dollars of RMR

<u>Customer Source</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Dealer	\$ 8,553,865	\$10,501,516	\$13,174,816
Traditional	\$ 21,080,578	\$26,460,806	\$27,820,413
Mass Market	<u>\$ 13,781,798</u>	<u>\$13,380,151</u>	<u>\$14,118,121</u>
Total	\$ 43,416,242	\$50,342,473	\$55,113,350



Annual Trend

Dollars of RMR

<u>Customer Type</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential	\$ 29,252,945	\$ 29,406,714	\$ 30,379,116
Commercial	<u>\$ 14,163,297</u>	<u>\$ 20,935,759</u>	<u>\$ 24,734,234</u>
Total	\$ 43,416,242	\$ 50,342,473	\$ 55,113,350



Attrition Update through Year End 2005

Region	2003		2004		2005	
	Gross	Net	Gross	Net	Gross	Net
Northeast	12.91%	8.03%	10.29%	7.33%	10.02%	7.17%
Southeast	11.77%	8.41%	12.30%	10.08%	13.13%	10.14%
Midwest	10.92%	7.43%	11.78%	9.17%	11.51%	9.02%
Southwest	11.89%	9.92%	14.14%	11.98%	13.56%	10.21%
West	11.88%	9.60%	12.36%	10.37%	11.85%	7.87%
International	12.22%	9.01%	12.74%	8.76%	12.03%	8.35%



Attrition Update through Year End 2005

Company Size	2003		2004		2005	
	Gross	Net	Gross	Net	Gross	Net
3-50	14.74%	12.62%	12.03%	10.88%	11.60%	8.01%
51-100	11.22%	9.20%	12.87%	11.10%	10.86%	7.37%
101-200	11.55%	10.84%	11.17%	9.19%	13.88%	9.78%
201-500	9.10%	8.02%	11.67%	10.01%	12.04%	7.65%
501+	12.28%	8.65%	12.04%	9.09%	11.39%	8.57%



Attrition Update through Year End 2005

Source	2003		2004		2005	
	Gross	Net	Gross	Net	Gross	Net
Dealer	14.01%	9.80%	12.63%	10.34%	11.90%	7.77%
Traditional	11.09%	8.05%	11.46%	8.86%	11.44%	9.15%
Mass Market	12.25%	9.01%	12.26%	9.24%	11.92%	7.99%



Attrition Update through Year End 2005

<u>Customer Type</u>	2003		2004		2005	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Residential	12.24%	8.77%	11.88%	8.90%	11.67%	8.10%
Commercial	11.60%	8.56%	11.97%	9.78%	11.66%	9.05%



Reason Code Analysis

Cancellation Reason	2002	2003	2004	2005
	%	%	%	%
■ Collection – Non-payment	18.5%	20.3%	23.2%	18.6%
■ Moved within Market	31.2%	22.3%	16.0%	23.5%
■ Moved Outside of Market	11.6%	16.8%	19.8%	27.1%
■ Poor Service – Central Station	3.2%	0.9%	----	----
■ Poor Service – Billing Service	3.2%	0.7%	----	----
■ Poor Service – Technical	3.6%	3.4%	2.9%	1.5%
■ Lost to Competition	5.5%	6.4%	8.2%	5.6%
■ No Longer Using System	6.5%	9.9%	11.9%	11.0%
■ Sold/Out of Business	3.4%	7.5%	7.0%	3.4%
■ Financial Difficulties	3.7%	3.9%	3.1%	2.7%
■ Property Abandoned/Vacant	2.4%	2.3%	0.5%	0.1%
■ End of Contract Term	4.3%	3.2%	4.8%	0.5%
■ Deceased/Rest home	2.8%	2.6%	1.4%	0.6%
■ Price Increase Rescinded	0.1%	0.1%	1.2%	4.0%
■ Natural Disaster	----	----	----	1.4%



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 2006 – April 2007
 - Posted in May 2007
 - Goal - \$100M of RMR