

Attrition Measurement Update Year End 2008: 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: $\frac{\text{Cancelled RMR for the Reporting Period}}{\text{Sum of Ending RMR for Each Month}} = \text{Monthly Attrition}$

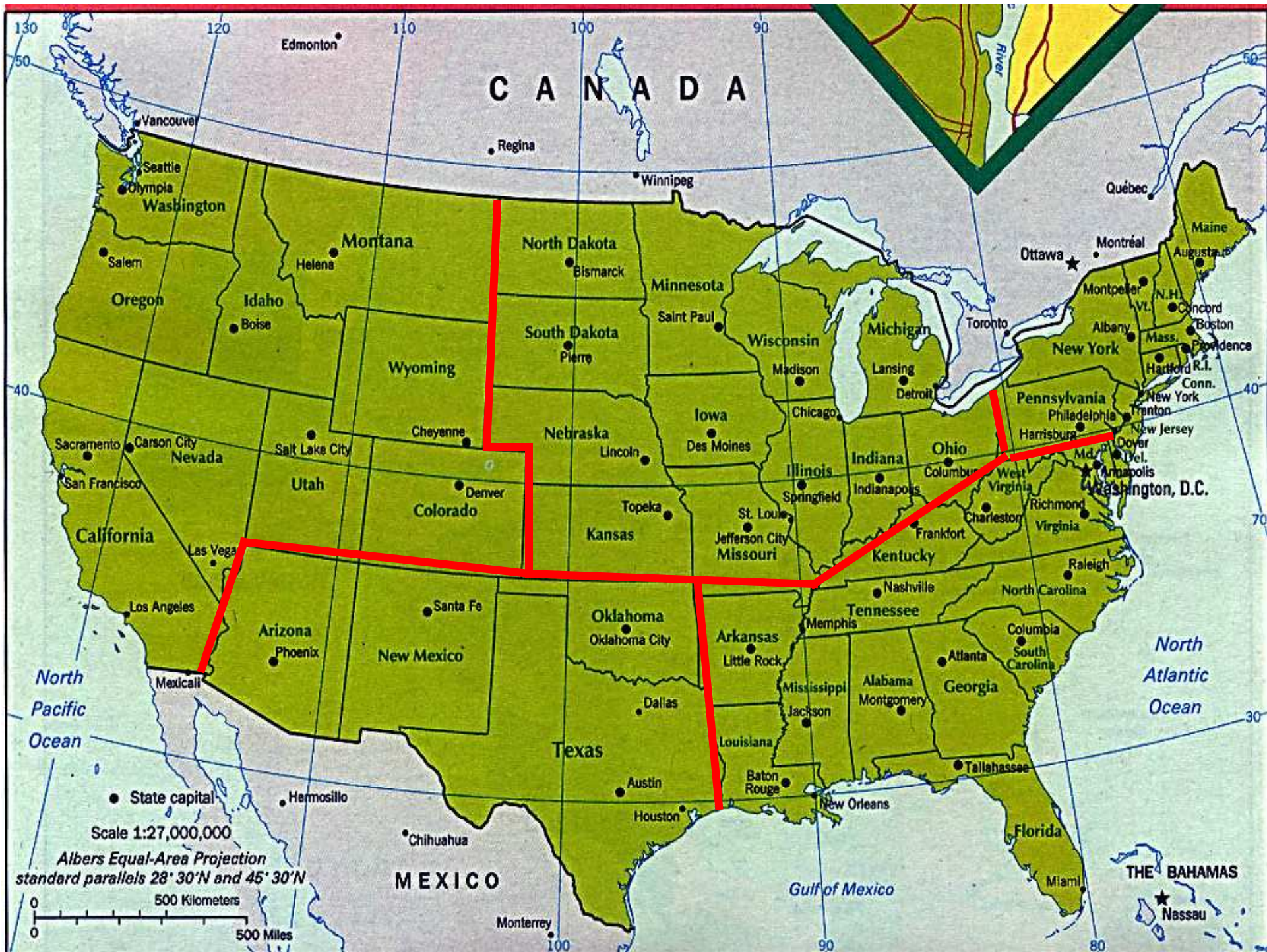
Step 2: $\text{Monthly Attrition (from Step 1)} * 12 = \text{Annualized Attrition}$

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>2006</u>	<u>2007</u>	<u>2008</u>
Northeast	\$ 16,593,689	\$ 20,104,889	\$ 26,123,886
Southeast	\$ 10,924,380	\$ 15,859,705	\$ 27,431,022
Midwest	\$ 11,906,640	\$ 13,866,967	\$ 20,986,270
Southwest	\$ 4,025,962	\$ 5,545,528	\$ 12,796,693
West	\$ 9,243,889	\$ 24,353,124	\$ 34,401,075
International	<u>\$ 7,576,043</u>	<u>\$ 999,570</u>	<u>\$ 1,433,570</u>
Total	\$60,270,603	\$ 80,729,783	\$123,172,516

Annual Trend

Dollars of RMR

Size	2006	2007	2008
3-50	\$ 412,984	\$ 302,151	\$ 307,553
51-100	\$ 492,274	\$ 689,884	\$ 648,286
101-200	\$ 3,970,284	\$ 4,097,988	\$ 3,609,618
201-500	\$ 9,311,380	\$13,031,388	\$ 13,652,480
501+	<u>\$46,083,681</u>	<u>\$62,608,372</u>	<u>\$104,954,579</u>
Total	\$60,270,603	\$80,729,783	\$123,172,516

Annual Trend

Dollars of RMR

<u>Customer Source</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Dealer	\$13,796,698	\$11,901,416	\$ 28,435,828
Traditional	\$31,669,657	\$49,548,497	\$ 67,312,383
Mass Market	<u>\$14,804,248</u>	<u>\$19,279,871</u>	<u>\$ 27,424,305</u>
Total	\$60,270,603	\$80,729,783	\$123,172,516

Annual Trend

Dollars of RMR

<u>Customer Type</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential	\$ 31,947,955	\$42,026,724	\$ 71,194,117
Commercial	<u>\$ 28,322,648</u>	<u>\$38,703,059</u>	<u>\$ 51,978,399</u>
Total	\$60,270,603	\$80,729,783	\$123,172,516

Attrition Update through Year End 2008

Region	2006		2007		2008	
	Gross	Net	Gross	Net	Gross	Net
Northeast	10.32%	7.23%	9.41%	6.92%	9.82%	7.37%
Southeast	12.55%	9.07%	11.48%	8.29%	11.71%	9.26%
Midwest	11.79%	7.79%	11.47%	8.44%	11.47%	8.51%
Southwest	12.76%	9.16%	12.33%	9.13%	12.89%	9.96%
West	11.64%	8.26%	10.90%	8.63%	11.62%	8.74%
International	11.74%	8.07%	10.46%	9.05%	10.42%	8.21%

Attrition Update through Year End 2008

Company Size	2006		2007		2008	
	Gross	Net	Gross	Net	Gross	Net
3-50	10.36%	6.88%	11.67%	8.28%	11.78%	8.67%
51-100	14.79%	9.24%	9.64%	7.09%	11.57%	8.74%
101-200	12.09%	8.94%	11.35%	8.14%	11.12%	7.57%
201-500	12.15%	8.38%	11.22%	8.05%	11.65%	8.47%
501+	11.37%	7.92%	10.73%	8.18%	11.31%	8.71%

Attrition Update through Year End 2008

Source	2006		2007		2008	
	Gross	Net	Gross	Net	Gross	Net
Dealer	11.41%	8.09%	12.60%	9.09%	12.95%	10.20%
Traditional	11.62%	8.07%	10.42%	8.00%	10.77%	8.25%
Mass Market	11.57%	8.03%	10.82%	7.92%	11.12%	8.01%

Attrition Update through Year End 2008

Customer Type	2006		2007		2008	
	Gross	Net	Gross	Net	Gross	Net
Residential	11.54%	8.19%	10.90%	7.93%	11.67%	8.91%
Commercial	11.57%	7.93%	10.76%	8.38%	10.91%	8.28%

Reason Code Analysis

Cancellation Reason	2005	2006	2007	2008
	%	%	%	%
▣ Collection – Non-payment	18.6%	13.3%	13.1%	14.7%
▣ Moved within Market	23.5%	17.0%	10.5%	13.5%
▣ Moved Outside of Market	27.1%	29.0%	28.6%	16.4%
▣ Poor Service	1.5%	2.0%	3.8%	2.6%
▣ Lost to Competition	5.6%	11.6%	12.3%	16.6%
▣ No Longer Using System	11.0%	11.3%	10.8%	11.1%
▣ Sold/Out of Business	3.4%	4.6%	4.8%	12.8%
▣ Financial Difficulties	2.7%	6.3%	7.0%	4.9%
▣ Property Abandoned/Vacant	0.1%	0.1%	1.2%	0.3%
▣ End of Contract Term	0.5%	1.4%	3.4%	2.2%
▣ Deceased/Rest home	0.6%	1.7%	1.5%	1.3%
▣ Price Increase Rescinded	4.0%	1.3%	3.0%	3.4%
▣ Natural Disaster	1.4%	0.4%	0.1%	0.2%

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 2009 – April 2010
Posted in June 2010