

Attrition Measurement Update Year End 2006: 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>2004</u> | <u>2005</u> | <u>2006</u> |
|---------------|---------------------|---------------------|---------------------|
| Northeast | \$ 12,151,496 | \$ 14,727,216 | \$ 16,593,689 |
| Southeast | \$ 9,648,681 | \$ 10,139,904 | 10,924,380 |
| Midwest | \$ 10,059,625 | \$ 10,844,003 | 11,906,640 |
| Southwest | \$ 3,891,817 | \$ 3,871,021 | 4,025,962 |
| West | \$ 8,461,155 | \$ 8,640,439 | 9,243,889 |
| International | <u>\$ 6,129,699</u> | <u>\$ 6,890,767</u> | <u>\$ 7,576,043</u> |
| Total | \$50,342,473 | \$ 55,113,350 | \$60,270,603 |



Annual Trend

Dollars of RMR

| Size | 2004 | 2005 | 2006 |
|---------|---------------------|---------------------|---------------------|
| 3-50 | \$ 387,221 | \$ 364,305 | \$ 412,984 |
| 51-100 | \$ 454,023 | \$ 569,426 | \$ 492,274 |
| 101-200 | \$ 4,325,962 | \$ 4,303,449 | \$ 3,970,284 |
| 201-500 | \$ 7,555,904 | \$ 7,645,252 | \$ 9,311,380 |
| 501+ | <u>\$37,619,363</u> | <u>\$42,230,918</u> | <u>\$46,083,681</u> |
| Total | \$50,342,473 | \$55,113,350 | \$60,270,603 |



Annual Trend

Dollars of RMR

| <u>Customer Source</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------|---------------------|---------------------|---------------------|
| Dealer | \$10,501,516 | \$13,174,816 | \$13,796,698 |
| Traditional | \$26,460,806 | \$27,820,413 | \$31,669,657 |
| Mass Market | <u>\$13,380,151</u> | <u>\$14,118,121</u> | <u>\$14,804,248</u> |
| Total | \$50,342,473 | \$55,113,350 | \$60,270,603 |



Annual Trend

Dollars of RMR

| <u>Customer Type</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----------------------|----------------------|----------------------|----------------------|
| Residential | \$ 29,406,714 | \$ 30,379,116 | \$ 31,947,955 |
| Commercial | <u>\$ 20,935,759</u> | <u>\$ 24,734,234</u> | <u>\$ 28,322,648</u> |
| Total | \$ 50,342,473 | \$ 55,113,350 | \$60,270,603 |



Attrition Update through Year End 2006

| Region | 2004 | | 2005 | | 2006 | |
|---------------|--------|--------|--------|--------|--------|-------|
| | Gross | Net | Gross | Net | Gross | Net |
| Northeast | 10.29% | 7.33% | 10.02% | 7.17% | 10.32% | 7.23% |
| Southeast | 12.30% | 10.08% | 13.13% | 10.14% | 12.55% | 9.07% |
| Midwest | 11.78% | 9.17% | 11.51% | 9.02% | 11.79% | 7.79% |
| Southwest | 14.14% | 11.98% | 13.56% | 10.21% | 12.76% | 9.16% |
| West | 12.36% | 10.37% | 11.85% | 7.87% | 11.64% | 8.26% |
| International | 12.74% | 8.76% | 12.03% | 8.35% | 11.74% | 8.07% |



Attrition Update through Year End 2006

| Company Size | 2004 | | 2005 | | 2006 | |
|--------------|--------|--------|--------|-------|--------|-------|
| | Gross | Net | Gross | Net | Gross | Net |
| 3-50 | 12.03% | 10.88% | 11.60% | 8.01% | 10.36% | 6.88% |
| 51-100 | 12.87% | 11.10% | 10.86% | 7.37% | 14.79% | 9.24% |
| 101-200 | 11.17% | 9.19% | 13.88% | 9.78% | 12.09% | 8.94% |
| 201-500 | 11.67% | 10.01% | 12.04% | 7.65% | 12.15% | 8.38% |
| 501+ | 12.04% | 9.09% | 11.39% | 8.57% | 11.37% | 7.92% |



Attrition Update through Year End 2006

| Source | 2004 | | 2005 | | 2006 | |
|-------------|--------|--------|--------|-------|--------|-------|
| | Gross | Net | Gross | Net | Gross | Net |
| Dealer | 12.63% | 10.34% | 11.90% | 7.77% | 11.41% | 8.09% |
| Traditional | 11.46% | 8.86% | 11.44% | 9.15% | 11.62% | 8.07% |
| Mass Market | 12.26% | 9.24% | 11.92% | 7.99% | 11.57% | 8.03% |



Attrition Update through Year End 2006

| <u>Customer Type</u> | 2004 | | 2005 | | 2006 | |
|----------------------|--------------|------------|--------------|------------|--------------|------------|
| | <u>Gross</u> | <u>Net</u> | <u>Gross</u> | <u>Net</u> | <u>Gross</u> | <u>Net</u> |
| Residential | 11.88% | 8.90% | 11.67% | 8.10% | 11.54% | 8.19% |
| Commercial | 11.97% | 9.78% | 11.66% | 9.05% | 11.57% | 7.93% |



Reason Code Analysis

| Cancellation Reason | 2003 | 2004 | 2005 | 2006 |
|-----------------------------|-------------|-------------|-------------|-------------|
| | % | % | % | % |
| ■ Collection – Non-payment | 20.3% | 23.2% | 18.6% | 13.3% |
| ■ Moved within Market | 22.3% | 16.0% | 23.5% | 17.0% |
| ■ Moved Outside of Market | 16.8% | 19.8% | 27.1% | 29.0% |
| ■ Poor Service | 5.0% | 2.9% | 1.5% | 2.0% |
| ■ Lost to Competition | 6.4% | 8.2% | 5.6% | 11.6% |
| ■ No Longer Using System | 9.9% | 11.9% | 11.0% | 11.3% |
| ■ Sold/Out of Business | 7.5% | 7.0% | 3.4% | 4.6% |
| ■ Financial Difficulties | 3.9% | 3.1% | 2.7% | 6.3% |
| ■ Property Abandoned/Vacant | 2.3% | 0.5% | 0.1% | 0.1% |
| ■ End of Contract Term | 3.2% | 4.8% | 0.5% | 1.4% |
| ■ Deceased/Rest home | 2.6% | 1.4% | 0.6% | 1.7% |
| ■ Price Increase Rescinded | 0.1% | 1.2% | 4.0% | 1.3% |
| ■ Natural Disaster | ---- | ---- | 1.4% | 0.4% |



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 2007 – April 2008
Posted in June 2008