



ATTRITION MEASUREMENT UPDATE YEAR END 2010 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: $\frac{\text{Cancelled RMR for the Reporting Period}}{\text{Sum of Ending RMR for Each Month}} = \text{Monthly Attrition}$

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

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

Pro's

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



C A N A D A

M E X I C O

● State capital
Scale 1:27,000,000
Albers Equal-Area Projection
standard parallels 28° 30' N and 45° 30' N
0 500 Kilometers
0 500 Miles

Annual Trend

Dollars of RMR

Region	2008	2009	2010
Northeast	\$ 26,123,886	\$ 29,312,561	\$ 34,255,218
Southeast	\$ 27,431,022	\$ 30,717,788	\$ 34,551,487
Midwest	\$ 20,986,270	\$ 22,194,576	\$ 25,343,869
Southwest	\$ 12,796,693	\$ 11,666,058	\$ 14,451,746
West	\$ 34,401,075	\$ 33,418,789	\$ 33,359,003
International	\$ <u>1,433,570</u>	\$ <u>12,601,570</u>	\$ <u>14,982,984</u>
	\$ 123,172,516	\$ 139,911,342	\$ 156,944,307

Annual Trend

Dollars of RMR

Size	2008	2009	2010
3-50	\$ 307,553	\$ 248,301	\$ 237,446
51-100	\$ 648,286	\$ 684,232	\$ 728,794
101-200	\$ 3,609,618	\$ 3,187,759	\$ 2,637,789
201-500	\$ 13,652,480	\$ 14,846,631	\$ 16,257,476
501+	\$ <u>104,954,579</u>	\$ <u>120,944,419</u>	\$ <u>137,082,802</u>
Total	\$ 123,172,516	\$ 139,911,342	\$ 156,944,307

Annual Trend

Dollars of RMR

Customer Source	2008	2009	2010
Dealer	\$ 28,435,828	\$ 37,684,131	\$ 49,061,372
Traditional	\$ 67,312,383	\$ 79,688,494	\$ 80,388,844
Mass Market	\$ <u>27,424,305</u>	\$ <u>22,538,717</u>	\$ <u>27,494,091</u>
Total	\$ 123,172,516	\$ 139,911,942	\$ 156,944,307

Annual Trend

Dollars of RMR

Customer Type	2008	2009	2010
Residential	\$ 71,194,117	\$ 69,568,717	\$ 74,839,754
Commercial	\$ <u>51,978,399</u>	\$ <u>70,342,625</u>	\$ <u>82,104,553</u>
Total	\$ 123,172,516	\$ 139,911,342	\$ 156,944,307

Attrition Update through Year End 2010

Region	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
Northeast	9.82%	7.37%	10.06%	7.96%	10.02%	7.66%
Southeast	11.71%	9.26%	11.92%	9.81%	11.46%	9.15%
Midwest	11.47%	8.51%	11.29%	8.18%	10.92%	7.89%
Southwest	12.89%	9.96%	13.70%	11.12%	12.35%	9.75%
West	11.62%	8.74%	12.34%	9.26%	11.58%	8.73%
International	10.42%	8.21%	11.64%	9.00%	11.74%	8.83%

Attrition Update through Year End 2010

	2008		2009		2010	
Co. Size	Gross	Net	Gross	Net	Gross	Net
3-50	11.78%	8.67%	9.69%	7.58%	7.57%	5.04%
51-100	11.57%	8.74%	10.13%	8.73%	9.26%	6.55%
101-200	11.12%	7.57%	10.89%	8.73%	8.67%	6.00%
201-500	11.65%	8.47%	11.22%	9.03%	9.92%	8.02%
501+	11.31%	8.71%	11.74%	9.09%	11.41%	8.68%

Attrition Update through Year End 2010

Source	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
Dealer	12.95%	10.20%	13.19%	11.07%	12.55%	10.10%
Traditional	10.77%	8.25%	11.16%	8.31%	10.66%	7.85%
Mass Market	11.12%	8.01%	10.85%	8.40%	10.33%	7.87%

Attrition Update through Year End 2010

Customer Type	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
Residential	11.67%	8.91%	12.04%	9.72%	11.37%	8.92%
Commercial	10.91%	8.28%	11.27%	8.43%	11.03%	8.23%

Impact on Attrition Measurement with Publicly Held Company Results

<u>2010</u>	<u>Excluding PHC</u>	<u>Including PHC</u>
501+ RMR Companies	\$137.5M	\$427.8M
<u>Net Attrition</u>		
Company Size	8.68%	11.42%
Residential	8.92%	11.06%
Commercial	8.23%	11.41%

Sources: SDM May 2011 – SDM 100
SEC Filings 10K
Public Quarterly Company Reviews

Reason Code Analysis

Cancellation Reason	2007	2008	2009	2010
Collection/Non Payment	13.1%	14.7%	20.9%	21.6%
Moved	39.1%	29.9%	38.4%	31.3%
Poor Service	3.8%	2.6%	1.9%	7.7%
Lost to Competition	12.3%	16.6%	9.1%	7.9%
No Longer Using System	10.8%	11.1%	14.1%	9.4%
Sold/Out of Business	4.8%	12.8%	7.3%	6.3%
Financial Difficulties	7.0%	4.9%	5.8%	9.3%
Property Abandoned/Vacant	1.2%	0.3%	0.0%	0.2%
End of Contract Term	3.4%	2.2%	0.3%	0.4%
Deceased/Rest home	1.5%	1.3%	0.4%	1.2%
PI Rescinded/RMR Reduction	3.0%	3.4%	0.6%	4.7%
Natural Disaster/Military	0.1%	0.2%	1.2%	0.0%

Impact on Attrition Customer System Usage

	2009	2010
All Customers (RMR)		
Overall	11.80%	9.30%
Wireless Signal Forwarding (WSF)	11.10%	10.20%
Interactive	11.90%	8.90%
Logged In	9.90%	6.90%
Excluding 45 day terms (RMR)		
Overall	10.80%	8.10%
Wireless Signal Forwarding (WSF)	10.60%	9.30%
Interactive	10.80%	7.70%
Logged In	9.60%	6.70%

Source: Alarm.com Attrition Study

TRG Maintains Full Confidentiality of Participant's Figures

- Summary results as presented will be available on
 - CSAA Web-Site
 - TRG Web-Site (www.trgassociates.com)
- Next update for 2011 – April 2012
Posted in June 2012