

Attrition Measurement Update Year End 2004: 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

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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.

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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

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

Pro's	Con's
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Not the easiest of the calculations

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Continuing to Refine the Database

- Redefined Geography – Still a goal
- Based on Federal Reserve Districts

Boston	St. Louis
New York	Minneapolis
Philadelphia	Kansas City
Richmond	Dallas
Atlanta	San Francisco
Chicago	

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Continuing to Refine the Database

Existing Geography

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

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Annual Trend

Dollars of RMR

Region	2002	2003	Y/E 2004
Northeast	\$ 7,146,899	\$ 10,047,066	\$ 10,951,496
Southeast	\$ 4,597,858	\$ 8,996,025	\$ 9,648,683
Midwest	\$ 2,463,628	\$ 5,047,765	\$ 9,169,627
Southwest	\$ 1,514,719	\$ 4,990,835	\$ 3,891,817
West	\$ 2,597,808	\$ 8,868,502	\$ 8,461,154
International	\$ 4,101,919	\$ 5,466,050	\$ 6,129,699
Total	\$22,422,831	\$43,416,242	\$48,252,476

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Annual Trend

Dollars of RMR

Size	2002	2003	Y/E* 2004
3-50	\$ 41,500	\$ 125,226	\$ 387,463
51-100	\$ 105,000	\$ 191,311	\$ 455,649
101-200	\$ 1,038,308	\$ 1,526,572	\$ 4,330,086
201-500	\$ 2,407,965	\$ 3,069,699	\$ 6,671,012
501+	<u>\$18,830,058</u>	<u>\$38,503,435</u>	<u>\$36,408,266</u>
Total	\$22,422,831	\$43,416,242	\$48,252,476

*Some companies segregated by branch size

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Annual Trend

Dollars of RMR

Customer Source	2002	2003	Y/E 2004
Dealer	\$ 2,622,460	\$ 8,553,865	\$11,626,451
Traditional	\$12,529,188	\$21,080,578	\$25,598,202
Mass Market	<u>\$ 7,271,183</u>	<u>\$ 13,781,798</u>	<u>\$11,027,823</u>
Total	\$ 22,422,831	\$ 43,416,242	\$48,252,476

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Annual Trend

Dollars of RMR

Customer Type	2002	2003	Y/E 2004
Residential	\$14,763,867	\$ 29,252,945	\$ 27,833,564
Commercial	<u>\$ 7,658,964</u>	<u>\$ 14,163,297</u>	<u>\$ 20,418,912</u>
Total	\$22,422,831	\$ 43,416,242	\$ 48,252,476

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Attrition Update through Year End 2004

Region	2002		2003		2004	
	Gross	Net	Gross	Net	Gross	Net
Northeast	13.30%	8.30%	12.91%	8.03%	11.55%	7.68%
Southeast	11.16%	8.35%	11.77%	8.41%	12.25%	8.95%
Midwest	11.08%	7.14%	10.92%	7.43%	12.85%	11.15%
Southwest	11.23%	9.50%	11.89%	9.92%	13.15%	11.48%
West	12.04%	9.97%	11.88%	9.60%	12.95%	11.42%
International	10.55%	8.10%	12.22%	9.01%	11.41%	8.70%

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Attrition Update through Year End 2004

Company Size	2002		2003		2004	
	Gross	Net	Gross	Net	Gross	Net
3-50	16.12%	13.51%	14.74%	12.62%	13.35%	11.37%
51-100	11.30%	9.50%	11.22%	9.20%	12.97%	11.21%
101-200	12.00%	11.18%	11.55%	10.84%	11.55%	9.48%
201-500	9.28%	7.98%	9.10%	8.02%	13.19%	10.94%
501+	12.14%	8.33%	12.28%	8.65%	12.15%	9.46%

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Attrition Update through Year End 2004

Source	2002		2003		2004	
	Gross	Net	Gross	Net	Gross	Net
Dealer	13.19%	8.92%	14.01%	9.80%	12.45%	10.15%
Traditional	11.54%	8.09%	11.09%	8.05%	12.05%	9.65%
Mass Market	11.83%	8.87%	12.25%	9.01%	12.43%	9.34%

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Attrition Update through Year End 2004

Customer Type	2002		2003		2004	
	Gross	Net	Gross	Net	Gross	Net
Residential	11.89%	8.40%	12.24%	8.77%	12.74%	9.85%
Commercial	11.71%	8.51%	11.60%	8.56%	11.85%	10.24%

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Reason Code Analysis

Cancellation Reason	2002	2003	2004
	%	%	%
Collection - Non-payment	18.5%	20.3%	23.2%
Moved within Market	31.2%	22.3%	16.0%
Moved Outside of Market	11.6%	16.8%	19.8%
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%
Lost to Competition	5.5%	6.4%	8.2%
No Longer Using System	6.5%	9.9%	11.9%
Sold/Out of Business	3.4%	7.5%	7.0%
Financial Difficulties	3.7%	3.9%	3.1%
Property Abandoned/Vacant	2.4%	2.3%	0.5%
End of Contract Term	4.3%	3.2%	4.8%
Deceased/Rest home	2.8%	2.6%	1.4%
Price Increase Rescinded	0.1%	0.1%	1.2%

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TRG Maintains Full Confidentiality Of Participants' Figures

- Summary results as presented today will be available on
CSAA Web-Site
TRG Web-Site (www.trgassociates.com)
- Next update - October 2005
Posted in November 2005
Goal - \$100M of RMR

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