

Attrition Measurement Update 2003: 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: $\frac{\text{Cancelled RMR for the Reporting Period}}{\text{Sum of Ending RMR for Each Month}} = \text{Monthly Attrition}$

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

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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.	

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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
Northeast	\$ 7,146,899	\$ 10,047,066
Southeast	\$ 4,597,858	\$ 8,996,025
Midwest	\$ 2,463,628	\$ 5,047,765
Southwest	\$ 1,514,719	\$ 4,990,835
West	\$ 2,597,808	\$ 8,868,502
International	<u>\$ 4,101,919</u>	<u>\$ 5,466,050</u>
Total	\$22,422,831	\$43,416,242

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Annual Trend Dollars of RMR

Size	2002	2003
3-50	\$ 41,500	\$ 125,226
51-100	\$ 105,000	\$ 191,311
101-200	\$ 1,038,308	\$ 1,526,572
201-500	\$ 2,407,965	\$ 3,069,699
501+	<u>\$18,830,058</u>	<u>\$38,503,435</u>
Total	\$22,422,831	\$43,416,242

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Annual Trend Dollars of RMR

Customer Source	2002	2003
Dealer	\$ 2,622,460	\$ 8,553,865
Traditional	\$12,529,188	\$ 21,080,578
Mass Market	<u>\$ 7,271,183</u>	<u>\$ 13,781,798</u>
Total	\$ 22,422,831	\$ 43,416,242

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Annual Trend Dollars of RMR

Customer Type	2002	2003
Residential	\$14,763,867	\$ 29,252,945
Commercial	<u>\$ 7,658,964</u>	<u>\$ 14,163,297</u>
Total	\$22,422,831	\$ 43,416,242

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Attrition Update thru December 2003

Region	2002		2003	
	Gross	Net	Gross	Net
Northeast	13.30%	8.30%	12.91%	8.03%
Southeast	11.16%	8.35%	11.77%	8.41%
Midwest	11.08%	7.14%	10.92%	7.43%
Southwest	11.23%	9.50%	11.89%	9.92%
West	12.04%	9.97%	11.88%	9.60%
International	10.55%	8.10%	12.22%	9.01%

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Attrition Update thru December 2003

Company Size	2002		2003	
	Gross	Net	Gross	Net
3-50	16.12%	13.51%	14.74%	12.62%
51-100	11.30%	9.50%	11.22%	9.20%
101-200	12.00%	11.18%	11.55%	10.84%
201-500	9.28%	7.98%	9.10%	8.02%
501+	12.14%	8.33%	12.28%	8.65%

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Attrition Update thru 2003

Source	2002		2003	
	Gross	Net	Gross	Net
Dealer	13.19%	8.92%	14.01%	9.80%
Traditional	11.54%	8.09%	11.09%	8.05%
Mass Market	11.83%	8.87%	12.25%	9.01%

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Attrition Update thru December 2003

Customer Type	2002		2003	
	Gross	Net	Gross	Net
Residential	11.89%	8.40%	12.24%	8.77%
Commercial	11.71%	8.51%	11.60%	8.56%

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Reason Code Analysis

Cancellation Reason	2002	2003
	%	%
• Collection – Non-payment	18.5%	20.3%
• Moved within Market	31.2%	22.3%
• Moved Outside of Market	11.6%	16.8%
• Poor Service – Central Station	3.2%	0.9%
• Poor Service – Billing Service	3.2%	0.7%
• Poor Service – Technical	3.6%	3.4%
• Lost to Competition	5.5%	6.4%
• No Longer Using System	6.5%	9.9%
• Sold/Out of Business	3.4%	7.5%
• Financial Difficulties	3.7%	3.9%
• Property Abandoned/Vacant	2.4%	2.3%
• End of Contract Term	4.3%	3.2%
• Deceased/Rest home	2.8%	2.6%
• Price Increase Rescinded	0.1%	0.1%

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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 – June 2004
Posted in October 2004
Goal - \$100M of RMR

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