

SubscriberWise®

Risk Management Solutions for the Communications Industry

The data in this comparison indicate the frequency of multiple service requests by SubscriberWise Decision Level. It's a unique and long-term observation of customer churn and the findings are similar for operators across the country.

| Count of Decision Level | Duplicates | | | Grand Total | Percent Duplicate by SW Level |
|-------------------------|------------|------|--|-------------|-------------------------------|
| | N | Y | | | |
| 1 | 1343 | 682 | | 2025 | 51% |
| 2 | 433 | 234 | | 667 | 54% |
| 4 | 1569 | 1078 | | 2647 | 69% |
| 6 | 1970 | 1853 | | 3823 | 94% |
| 7 | 2009 | 1981 | | 3990 | 99% |
| 8 | 1703 | 1908 | | 3611 | 112% |
| Qualified | 599 | 280 | | 879 | 47% |
| Very Well Qualified | 4620 | 1191 | | 5811 | 26% |
| Well Qualified | 1782 | 730 | | 2512 | 41% |
| Grand Total | 16028 | 9937 | | 25965 | 62% |

Here's what you need to know: The table above represents prospective subscribers who have contacted our office and requested service since 2007. Each of the nearly 26,000 applicants in this study had a scorable consumer credit file when their application was processed. We excluded non-scorable consumers and credit submissions that failed to decision for fraud or any other reason.

SubscriberWise 'Level 8' applicants are the highest credit risk consumers in the United States of America. For example, this financially delinquent population is so risky that none would qualify for an FHA mortgage under federal guidelines - regardless of the amount of a down payment (<http://portal.hud.gov/FHAFAQ/controllerServlet?method=showPopup&faqId=1-6KT-1085>). In fact, this population represents the very bottom 6 percent of the entire U.S. adult credit consuming population. In other words, 94 percent of the population has better credit.

Did you know that it's actually difficult for a consumer to achieve this extremely subprime credit rating?

It's true. Ratings this bad require that a consumer must fail *miserably* in each and every category the scoring algorithm computes. Delinquency rate is near 90 percent with 'Level 8' subscribers. It's also true that 'Level 8' subscribers generate the vast majority of an operator's liabilities. Moreover, consumers who decision into SubscriberWise Levels 6 through 8 (bottom 25 percent of credit population) they account for 81 percent of an operator's bad debt and equipment losses.

From the table above, SubscriberWise 'Level 8' reveal a significant 112 percent of submissions that included a multiple service request for the same unit during the previous six years. This high frequency of ultra-risky service requests flows mostly from non-pay disconnections. It's expensive and undesirable churn. And it's often a family or household member (also with

extremely risky credit) who is requesting a new account to avoid paying the seriously delinquent account you just disconnected. That explains the statistically high percentage of multiple service requests. The fact is that consumers with extremely poor credit, they're not only creating your liabilities, they are also generating dramatically higher operational inefficiencies with repeated truck rolls to the other extreme-risk prospects who've been consuming your service and not paying.

On the other end of the credit spectrum, SubscriberWise 'Very Well Qualified' represent the 65th percentile and higher. Among this population there is rarely an unpaid account and almost never unreturned equipment...no matter the duration of the service relationship. 'Very Well Qualified' prospects averaged only 26 percent with a multiple service request at the same unit during the same 6 year period compared with 112 percent of the 'Level 8' population. And among 'Very Well Qualified', the relative low frequency of churn is a normal expectation because it's reflective of an ordinary population - some move and some die - over the course of more than a half-decade.

What is the conclusion from this information? The data empirically prove that the most extreme risk population generates **> 400 percent** more service requests than the very lowest risk population. And the performance data from Massillon Cable profoundly demonstrate that extreme risk consumers erode the bottom line in a number of very expensive ways (i.e. unpaid programming, unreturned equipment, costly truck rolls, burdens on the call center, etc.).

Fortunately, risk management offers a solution to successfully manage 'bad' churn effectively while continuing to offer every prospect a service option regardless of their credit risk.

For the record, MCTV bad debt – including losses from unreturned equipment at our 100 percent digital MSO – averages less than (3/10) of (1 percent) as a percentage of revenue.

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