

A photograph of a desert landscape. In the background, two large, rounded mountains rise against a bright blue sky with wispy white clouds. The slopes of the mountains are covered in sparse, low-lying desert vegetation. In the middle ground, several tall, columnar saguaro cacti stand prominently. The foreground is filled with a variety of desert plants, including cholla (cylindrical cacti), silver cholla, and various shrubs and grasses. The ground is rocky and uneven.

2014



AAA ARIZONA YEAR IN REVIEW

Dear AAA Stakeholders,

Sir Edmund Hillary, an explorer who became one of the first climbers to reach the summit of Mount Everest, said, "People do not decide to become extraordinary. They decide to accomplish extraordinary things."

As we entered 2014, we were at a critical juncture – our roadside assistance call center was migrating to a new outsourced provider and we could not compromise service quality. Simultaneously, we were faced with new AAA National standards for membership growth and quality. In response, roadside assistance quality and membership growth became our mountain to climb. We set aggressive goals and challenged the group not to accept that declining ERS scores was a fait accompli.

To accomplish what we set out to do, we needed to stay disciplined, align the necessary resources and execute. It wasn't easy, but we did it. From surpassing our roadside assistance quality goal and moving up an astounding 23 spots within the association (including CAA) to winning the association membership growth goal for our club category, AAA Arizona accomplished extraordinary things in 2014.

This report highlights many achievements from the year, as well as key performance metrics from the last three years. These accomplishments would not be possible without our valued employees' commitment to execution, the guidance of our board of directors and the efforts of the AAA leadership team.



Mike Tully
President and Chief Executive Officer

2014 CORPORATE GOAL RESULTS

GOAL	ACTUAL	BUDGET
Operating Income*	\$3,787K	\$2,196K
Membership Growth	2.8%	2.0%
Insurance Premium	\$130,091K	\$126,525K
ERS Quality	88.3%	86.8%

* Pre-audit

MEMBERSHIP AND SERVICE QUALITY

Took action to grow membership and increase retention while finding ways to highlight value

- Received full accreditation from AAA National.
- Surpassed our target goal by reaching 867,592 members – up 2.8 percent (paid effective method) from last year – while increasing retention to 88.6 percent.
- Launched the Membership Value Statement, which communicates the value members received in experience and monetary savings during their membership term.



- Completed transition of call center operations to Sitel, contributing to improved roadside assistance quality scores and member retention.
- Grew group membership by 29 percent.

NOTE: AAA/CAA experienced overall total membership growth of 1.3 percent in 2014. During that same time period, AAA Arizona experienced total growth of 3.2 percent. (National count method)

AUTOMOTIVE

Focused on improving the roadside assistance experience while providing automotive solutions to a growing number of vehicles



Roadside Assistance

- Exceeded our roadside assistance goal at the distinguished level with a 12-month rolling top-box quality score of 88.3 percent, bringing our ranking up from 34th to 14th in the country.
- Increased driver satisfaction scores from 88.8 percent to 90.4 percent to rank in the top 20 percent in the country.
- Centralized Phoenix fleet operations in order to reduce costs, enhance safety, optimize repair and maintenance, and provide on-site management.
- Purchased a new fleet yard in Tucson to support fleet growth and expansion.

Auto Repair, Glass, and Battery

- Serviced more than 35,000 vehicles through club-owned repair (COR) and another nearly 5,000 through auto glass operations, an increase of 9.7 and 15 percent, respectively.
- Experienced a 7.2 percent increase in tow-in volume, which generated \$3.7 million in auto repair revenue.
- Improved COR's 12-month rolling top box quality by 4 points to 73.5 percent.
- Maintained the top mobile battery replacement penetration rate in the association for the 12th consecutive year.



INSURANCE

Targeted increased retention and growth in written premium

- Grew premium by \$10.1 million for a total of \$130.1 million, aiding the CSAA Insurance Group in surpassing the \$100 million premium milestone.
- Achieved a five-year high for personal lines retention at 85.9 percent, ranking third among ACP clubs.
- Grew commercial insurance premium by 19.8 percent.



FINANCIAL SERVICES

Focused on core product offerings in order to help members make the most of their money

- Increased new credit card accounts by 54.4 percent from 1,137 to 1,755 cardholders.



BUSINESS SOLUTIONS

Made our growing suite of commercial services a focal point to increase client base

- Signed 75 business clients with 2,152 vehicles under contract.



TRAVEL

Targeted innovative ways to reduce expenses and grow sales while focusing on quality improvement

- Capitalized on pent-up demand and the improving economy to book \$52.5 million in sales.
- Restructured the annual travel show, which more than doubled sales compared to 2013.
- Achieved \$700,000 in bookings through the inaugural Dream Vacation Sweepstakes.

HUMAN RESOURCES

Improved workplace safety and helped employees prepare for the future while achieving a staffing milestone

- Enhanced safety culture by decreasing workers' compensation insurance costs resulting in a 27 percent drop for 2015, despite growth in the number of high-risk positions.
- Reached a milestone of 650 employees and promoted 51 employees to higher-level roles.
- Grew automatic enrollment in our 401(k) retirement plan by 14.4 percent, improving employees' readiness for retirement.

MARKETING AND WEB

Focused on enhancing visibility of products and services while growing revenue

- Grew organic online search by 42.7 percent, generating 215,000 website visits, through search engine optimization efforts, sitemap improvements, and local place pages.
- Increased tablet and mobile access by 34.5 percent and 62.7 percent, respectively, through our mobile-friendly website.
- Launched new advertising campaigns for Insurance and Membership through creative collaboration with the IG and AAA Allied Group.

PUBLIC AFFAIRS, COMMUNITY RELATIONS, AND SOCIAL MEDIA

Increased media effectiveness while creating a strong foundation to expand the club's community impact

- Secured more than 2,500 media placements and grew message integrity, which helps maintain brand consistency, by 15 percent.
- Exceeded all three goals for our annual United Way giving campaign, resulting in 67 percent staff participation, more than \$116,610 in employee donations, and 206 new givers.



- Increased social media audience and engagement by 60 percent and 329 percent, respectively, inspiring our target audience to interact with us on social media.



INFORMATION TECHNOLOGY

Introduced new platform that enhanced employee efficiency and productivity

- Upgraded critical roadside assistance hardware and software with the latest versions of D2000, AVL, and Dial Ex, which supported the improved roadside assistance experience.
- Introduced Wi-Fi for members at all branch offices and club-owned repair locations.
- Moved to a virtual computing platform that enables employees to access the network anywhere, anytime, and from any device.



KEY PERFORMANCE METRICS

Corporate	2014	2013	2012	2011
Revenue – Total	\$ 102,230	\$ 97,200	\$ 93,170	\$ 85,570
Revenue per Member	\$ 117.83	\$ 115.14	\$ 113.02	\$ 105.04
Revenue – Membership	\$ 53,566	\$ 52,059	\$ 50,140	\$ 48,263
Revenue – Collateral Lines	\$ 48,664	\$ 45,141	\$ 43,030	\$ 37,307
revenue % – collateral lines	47.6%	46.4%	46.2%	43.6%

Membership				
Membership Count (paid effective method)	867,592	844,190	824,397	814,647
growth %	2.8%	2.4%	1.2%	1.9%
Retention Rate	88.6%	88.0%	86.3%	86.1%
Auto Renewal Penetration	47.1%	42.5%	37.4%	28.6%

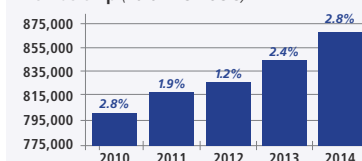
Roadside Assistance				
Service Calls	446,640	455,722	424,419	435,411
Calls per Member	0.484	0.503	0.511	0.530
Quality – ERS	88.3%	85.8%	86.1%	86.8%

Insurance				
Premium (rolling 12-mo)	\$ 130,091	\$ 119,929	\$ 112,988	\$ 111,000
* in millions growth %	8.5%	6.1%	1.8%	5.5%
Retention Rate	85.9%	85.7%	82.7%	80.9%

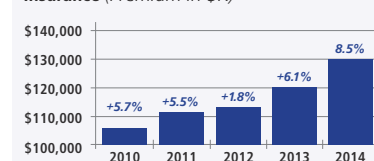
Auto Repair				
Car Count	35,398	32,256	26,629	20,370
Average Repair Order	\$ 311	\$ 336	\$ 298	\$ 288
Auto Repair Locations	8	8	6	4

Travel				
Invoiced Sales	\$ 52,505	\$ 42,344	\$ 45,893	\$ 44,992
Quality – Travel	86.9%	85.7%	85.3%	85.8%
Quality – Auto Travel	83.0%	86.7%	85.2%	86.9%

Membership (Paid Members)



Insurance (Premium in \$K)





2014