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Vonage Holdings Corp. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Michael Rollings – Citi Investment Research

Michael Rollins – Citi Investment Research

In terms of the marketing strategy, as you look at your competition, cable and even the incumbent to some extent, one of the advantages they have is that they send people out to install your telephone service for the customer. Can you talk about how that's impacting the competitive environment for you and how you're going to structure the product to continue to make it easier for the customers to install, or alternatively, would you reconsider getting more aggressive with the professional installation option?

Marc Lefar

Let me talk about competition more broadly first off, and talk more specifically about the opportunity for professional install. As I've talked in calls last week with a number of you, it is an extremely attractive overall for multiple competitors to grow in the market as of today, with roughly 60 million broadband users, only 25% of the using digital voice. There is an incredible upside market potential and which we expect three or more competitors to be able to grow very profitably over time.

You're certainly going to have the cable folks, you'll have the telecodes, and we believe that Vonage will be a strong third. Customers want choice. They want flexibility and we provide feature sets as well as choice that the bigger guys simply don't provide.

Relative to professional installation, it is something that we have done and continue to evaluate in order to optimize, and we are evaluating partnerships to consider whether it's something that we can expand and should expand. Of course, we have to balance that against the cost of doing that, and the customers' willingness to pay. More specifically though, I think the solution lies in improving overall end to end customer experience and delivering products that are much more intuitive and seamless in terms of their ability to purchase and then install in an individual's home on their own. So we're pursuing both paths.

What I'll also tell you is, we do not believe that this is something that has been an impediment to growth in any significant way although it's only one week that I've been in the job, I've spent a tremendous time on the phones with our call center representative and the front line employees, and while competition is certainly nothing to be underestimated, what I hear more frequently is that we have opportunities to improve our overall experience and when we lost people to competition,

it is generally a function of having disappointed them some other way in terms of our ease of going business with them.

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